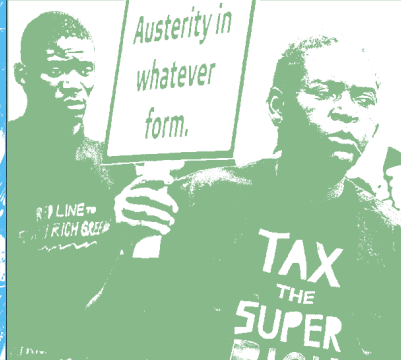


# *Austerity in the Global South*



# **Austerity in the Global South**

April 2026

Published by IBON International, as part of the End Austerity Campaign

IBON International ([iboninternational.org](http://iboninternational.org)) engages in capacity development for people's rights and sovereignty. It strengthens links between local campaigns and advocacies to international initiatives and brings international development issues in a way that people's organisations and social movements can engage with at country level.

End Austerity ([endausterity.org](http://endausterity.org)) is a global campaign by civil society organisations, trade unions, activists, and researchers calling to end austerity measures imposed by international financial institutions towards realising rights, development, and social justice.

Design and layout by Rex Cesora



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# **Foreword**

IBON International has long been advocating for people-centred development, one that serves countries' and communities' needs. Achieving this kind of development has long been challenged by dominant economic systems and policies. For decades, international financial institutions, particularly the International Monetary Fund and the World Bank Group (IMF-World Bank), have shaped global South economies to be reliant on external markets, investors, and financing. In this way, our economies have been integrated unequally within the world economy: as sources of raw material commodities and low-waged labour, and sites of extraction for large corporations and finance capital.

Austerity is a great obstacle to people-centred development. The austerity paradigm shapes elite-led states to privatise social services, cut public spending, lower labour rights, then expect big businesses to “fill in the gaps”— a vicious cycle of dependence on foreign capital and the inability to provide for needs. It burdens working people with more regressive taxes, squeezing wages and incomes in order to pay foreign debts – to the benefit of powerful lenders. In forcing countries to “tighten their belts,” austerity deepens the decades of wealth drains from global South peoples and territories towards global North elites.

As part of the End Austerity Campaign, a global campaign committed to fighting austerity and advancing alternatives, IBON International publishes this book that features experiences in Argentina, Pakistan, and Zambia. While far from exhaustive, the dynamics and ongoing struggles in these countries hope to show different effects of austerity. It also aims to show the national and international dynamics behind the imposition of this paradigm.

Ending austerity is part of advancing people's economic and social rights, from the right to services to labour rights. Ending austerity is also a necessary condition to exercise people's sovereignty, to reclaim our economies away from the dictates of international financial institutions and Northern states. In our time, where cuts on education and health exist alongside ballooning military budgets, ending austerity is part of resisting the broader system of monopoly capitalism, the system that underpins both unprecedented crises and imperialist war, and advancing sovereign economic change.

*Jennifer del Rosario-Malonzo*  
*Executive Director*  
*IBON International*

## *Synthesis*

# ***The need to break from austerity, towards sovereignty***

Austerity is belt-tightening of the poor majority so that the rich few can continue to rake in super-profits. In the context of the International Monetary Fund (IMF), austerity is the definitive fiscal policy it prescribes to supposedly resolve governments' debt and budget problems by restricting public spending, conceding public infrastructure and services to privatisation, and wringing consumption taxes from wage-earners.<sup>1</sup> It is a political tool —specifically an imperialist tool led by the US and its allies, as they dominate shares and voting power<sup>2</sup> in the IMF — to further elite and monopoly capitalist interests at the expense of the world's toiling majority of workers, peasants, women and Indigenous Peoples. These interests include those of international finance institutions, transnational corporations and Northern governments, with the acquiescence of local ruling elites and their governments in the global South.

The 2022 End Austerity Report which analysed public spending in 189 countries identified eleven types of austerity policies:

- 1.** targeting and rationalizing social protection;
- 2.** cutting or capping the public sector wage bill;
- 3.** eliminating subsidies;
- 4.** privatizing public services/reform of State-Owned Enterprises (SOEs);
- 5.** pension reforms;
- 6.** labor flexibilization reforms;
- 7.** reducing social security contributions; and
- 8.** cutting health expenditures;" including regressive measures to raise revenues: "
- 9.** increasing consumption taxes, such as sales and value-added taxes (VAT);
- 10.** strengthening public-private partnerships (PPPs); and
- 11.** increasing fees/ tariffs for public services.<sup>3</sup>

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1 IBON International. 2025. "Disrupting the Austere World." <https://iboninternational.org/download/disrupting-the-austere-world/>

2 International Monetary Fund. 2026. "IMF Executive Directors and Voting Power." <https://www.imf.org/en/about/executive-board/eds-voting-power>

3 Ortiz, I.; Cummins, M. 2022. "End Austerity: A Global Report on Budget Cuts and Harmful Social Reforms in 2022-25." Initiative for Policy Dialogue; Global Social Justice; International Conference of Trade Unions; Public Services International; ActionAid International; Arab Watch Coalition; Bretton Woods Project; Eurodad; Financial Transparency Coalition; Latindadd; Third World Network; Wemos. [https://www.eurodad.org/end\\_austerity\\_a\\_global\\_report](https://www.eurodad.org/end_austerity_a_global_report)

In the global South, IMF-imposed austerity often comes with neoliberal policies of liberalisation and deregulation that perpetuate neocolonial extraction. For instance, the IMF is greenwashing austerity through its Resilience and Sustainability Trust (RST). RST loan conditionalities impose austerity, while also incentivising so-called “green investments”, referring to investments in renewable energy, green hydrogen, and electric vehicles, by “establishing strong Public-Private Partnership frameworks or introducing frameworks for green-bond issuance and trading”, and implementing reforms that “can reduce impediments to investment.”<sup>4</sup>

These IMF-imposed measures have meant lesser food on the table, much lower wages, increasing burden on women, higher electricity prices, environmental destruction, among others. This book looks into three Southern countries from Asia, Africa and Latin America: Pakistan, Zambia and Argentina. Contributing organizations Roots for Equity, ActionAid Zambia, and the General Confederation of Labour of Argentina examined their respective national economic and political contexts that “rationalised” the imposition of austerity; the international dynamics and their countries historical relationship with the IMF and other global North powers; impacts on working peoples; and people’s alternatives and resistance.

## **Pakistan**

*Pakistan is a South Asian nation of approximately 240 million people, characterized by a diverse population. Its economy, one of the larger in the region, has historically relied on agriculture, textiles, and remittances from overseas workers, though it has faced persistent structural challenges including high inflation, fiscal deficits, and balance-of-payments pressures.*

Pakistan’s economy has been entwined with the IMF for more than six (6) decades, a relationship that has repeatedly reshaped the nation’s fiscal landscape while deepening social distress. Since signing its first agreement in 1958, Pakistan has entered into 24 IMF programmes, and only two (2) have ever reached completion. Each successive government—whether the military rule of General Pervez Musharraf, the civilian administrations of the Pakistan People’s Party (PPP), Pakistan Muslim League (PML-N), and Pakistan Tehreek-e-Insaf (PTI), or the brief caretaker cabinets that followed—has inherited a mounting debt burden and, in turn, has doubled public debt by the end of its term.

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<sup>4</sup> IBON International. 2025. “Disrupting the Austere World.”

The IMF's playbook has remained remarkably consistent. Stand-by Agreements (SBAs), Extended Fund Facilities (EFFs), and the newer Resilience and Sustainability Facility (RSF) have all demanded fiscal consolidation, tax reform, removal of subsidies (especially in energy), privatisation of state-owned enterprises, and a shift toward a market-determined exchange rate. These conditionalities are framed as necessary structural adjustments that have not resulted into supposed macro-economic stability. Between 2000 and 2008, for example, Pakistan's gross public debt surged to PKR 6.1 trillion (about USD 87 billion)—a 100 % increase in just eight years.

A pivotal arena of IMF-driven reform has been the power sector. The 1994 Power Policy introduced Independent Power Producers (IPPs) that receive guaranteed "capacity payments" in U.S. dollars regardless of actual electricity generated. This arrangement, reinforced by subsequent privatisations of oil, gas, telecoms and banking assets, locked the state into a rigid, dollar-denominated cash-flow obligation. When the rupee depreciated—from PKR 161.8 per dollar in 2020 to PKR 278 in 2023—the cost of these payments ballooned, forcing the Water and Power Development Authority (WAPDA) to allocate a fixed billion-dollar sum each year to private generators. The result has been chronic load-shedding, soaring consumer electricity bills, and an ever-growing fiscal gap.

Macroeconomic indicators paint a bleak picture despite the reforms. New IMF programmes in 2019 (USD 6 billion), 2022 (USD 3 billion SBA), and 2023-24 (USD 7 billion EFF) have not curbed debt accumulation; by the end of PTI's tenure the national liability stood at PKR 44 trillion (around USD 158 billion), more than double the target of PKR 20 trillion pledged at the programme's outset. Currency devaluation, high import bills, and persistent fiscal deficits have eroded any semblance of fiscal space.

The human toll of these austerity measures is stark. Food-price inflation has surged—wheat flour up by 81%, rice up by 65%—while the poverty rate climbed to 25% in 2024, with projections indicating that over 40% of the population now live below the poverty line. Women, who constitute the bulk of the informal workforce, face stagnant wages (often around PKR 30,000, or around USD 107 per month) alongside soaring utility costs, forcing many into precarious home-based enterprises such as street-side samosa stalls. Rural farmers bear the brunt of inflated energy tariffs and the loss of subsidised inputs, prompting widespread protests by the Pakistan Kissan Mazdoor Tehreek and other agrarian collectives.

*"Across the country, women are reporting a decreasing quantity of cooked meals, while at the same time providing for their households while they themselves only eat roti (flatbread) with chutney or condiments. In research carried out by Roots for Equity with domestic workers in Karachi, women were walking long distances to their work to save transport costs. Even with rising cost of living, their wages were kept the same and they could not negotiate an increase in salaries." (Roots for Equity, 2025)*

Politically, the IMF's conditionalities intersect with broader geopolitical currents. The 2001-08 Musharraf era aligned Pakistan with the so-called US "War on Terror," unlocking substantial aid and IMF loans, while more recent years have seen the country lean on Chinese, Saudi, and Emirati financing to meet IMF requirements. This entanglement reinforces what the Roots for Equity describes as "neocolonial bondage," wherein external lenders dictate domestic policy, limiting sovereign decision-making. Repeated IMF-mandated austerity has not only failed to deliver sustainable growth or debt reduction. It has instead entrenched a cycle of external dependency, amplified socioeconomic inequities, and fueled recurring popular unrest. Without a fundamental break from neoliberal policies and move towards policies that protect people's rights and prioritise domestic agency—Pakistan's economy will remain trapped in a perpetual debt-and-austerity spiral.

*"However, there is no doubt that these protests remain fragmented and there is further need to channel the protests to a direction that would allow for stopping the implementation of conditionalities dictated by the IMF. The anger and frustration of the people is ripe ground for a people's movement that could block further plunder and extraction of resources, livelihoods and sovereignty." (Roots for Equity, 2025)*

## **Zambia**

*Zambia, a landlocked nation in Southern Africa, borders eight countries in the mineral-rich Copperbelt region. It is home to some 19 million people comprising over 70 ethnolinguistic groups. Classified as lower-middle-income, its economy hinges on copper mining (70 % of exports), alongside agriculture (maize, tobacco, sugar) and a modest services sector.*

Over the past decade Zambia has been pulled into a deep fiscal vortex, driven largely by soaring external debt and a set of austerity prescriptions championed by the IMF and other global lenders. Between 2011 and 2020 the country's public-debt stock exploded from roughly USD 4.8 billion to more than USD 17 billion, creating a fiscal squeeze that prompted the IMF to push a "tighten-the-belt" agenda. The core of that agenda was a drastic reduction in public-sector spending, especially in health and education, coupled with an aggressive push for foreign direct investment (FDI) in the extractive sector.

The austerity playbook translated quickly into tangible policy outcomes with disastrous impacts on the people. Budget allocations for health and schooling fell in real terms, slipping below the benchmarks set by the Abuja Declaration for health and the Incheon Declaration for education. Wage freezes, hiring moratoria and occasional layoffs became

routine in the public sector. Because women dominate frontline roles in health clinics, schools and social services, the gender impact of these cuts has been especially severe, amplifying existing inequalities.

*As the government continues to increase their debt servicing costs in 2026 and beyond, social sector spending on health, education, water and sanitation, and social protection reduces.*

Simultaneously, the IMF's investment-friendly narrative encouraged projects such as the USD 150 million Mingomba copper-cobalt mine, backed by high-profile investors like Jeff Bezos and Bill Gates. Critics warn that this "open-for-business" stance deepens Zambia's dependence on foreign capital, reduces state control over strategic resources, and entrenches a wealth gap that favors multinational corporations over local communities.

*"By encouraging such overseas capital inflows, the IMF supports a government narrative of "open for business," but critics argue this model risks perpetuating dependency on external actors, limiting state control over strategic resources, and reinforcing inequalities." (ActionAid Zambia, 2025)*

Compounding the fiscal strain are massive revenue leakages that undermine the government's ability to fund essential services. Tax expenditures—exemptions, reduced rates and other concessions—cost Zambia an estimated 15% of GDP, roughly USD 384 million each year, a sum that dwarfs the country's spending on education. Even more alarming are illicit financial flows (IFFs). The Financial Intelligence Centre estimates that Zambia loses about USD 3.5 billion annually to hidden capital movements, a figure roughly twice the size of the IMF's USD 1.7 billion credit facility earmarked for the country. These outflows erode the fiscal space needed for health, education and social protection, perpetuating a cycle of under-investment and poverty.

Austerity not only weakens Zambia's fiscal foundations but also hampers the continent's broader capacity to raise domestic revenue and protect public-sector workers. A 2024<sup>5</sup> study shows that 73 % of the 52 African Union member states examined are already in debt distress or at high risk of it, underscoring that Zambia's predicament is part of a wider African crisis.

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<sup>5</sup> ActionAid. 2024. "Transforming Education Financing in Africa." [https://actionaid.org/sites/default/files/publications/Transforming\\_Education\\_Financing\\_in\\_Africa\\_report.pdf](https://actionaid.org/sites/default/files/publications/Transforming_Education_Financing_in_Africa_report.pdf)

ActionAid Zambia proposes five recommendations aimed at reversing the austerity tide and building a more equitable, gender-responsive economy. First, it calls for a thorough re-evaluation of tax incentives, arguing that the current regime squanders over USD 384 million annually without demonstrably attracting new investors. Alternative, revenue-preserving investment tools should replace wasteful exemptions.

Second, it urges decisive action against illicit financial flows: strengthening beneficial-ownership registries, bolstering tax-administration capacity and deepening international cooperation to plug the USD 3.5 billion leakage. Third, the authors see Zambia's 2026 election as a strategic moment to make debt a central campaign issue, mobilizing civil society, women's groups and youth to demand concrete debt-resolution strategies from candidates. Fourth, they advocate for a United Nations convention on sovereign debt, seeking collective action for debt cancellation and a fairer international finance architecture that curtails IMF-driven austerity conditionalities.

Finally, the group emphasizes the need for transformative gender policies—moving beyond narrow “women's empowerment” programs to a holistic redistribution of power, resources and unpaid care work, coupled with gender-responsive budgeting and the placement of women's rights organisations at the heart of policy design, implementation and monitoring.

Zambia's experience illustrates how external debt pressures, IMF-mandated austerity, and pervasive illicit financial flows have eroded public services, exacerbated gender inequities and locked the country into a cycle of dependency on foreign capital. By reclaiming domestic revenue, confronting illicit outflows, politicising debt reform, pursuing a better international financial architecture, and embedding gender-transformative policies, Zambia could chart a path toward sustainable development, fiscal sovereignty and a more inclusive society.

## **Argentina**

*Argentina, a nation of approximately 46 million people, is the third-largest economy in Latin America. While historically renowned for its agricultural wealth, the modern economy is now dominated by the services sector, which accounts for roughly 64% of GDP, driven by wholesale and retail trade, transport, real estate, education, health, and finance. The country continues to grapple with chronic macroeconomic instability, characterized by persistently high inflation, currency devaluation, and recurring debt crises that have defined its economic trajectory for decades.*

Since its founding, Argentina has been a cornerstone of MERCOSUR, the Southern Common Market that stretches across the continent. Though Brazil provides the bulk of the bloc's output, MERCOSUR ranks among the world's biggest economies, with a purchasing-power parity GDP of about USD 5.7 trillion. The region's rich natural-resource endowment—food, lithium, rare-earths and hydrocarbons—has attracted competing geopolitical interests: the United States seeks to re-assert influence in the Southern Cone, China is the main buyer of Argentine exports and a key investor, and the European Union pursues a free-trade agreement that many view as a new form of neocolonialism.

Argentina joined the IMF in 1956 and has signed 29 programmes: 19 stand-by agreements, six compensatory financing facilities, three extended-fund facilities and one oil-finance line. Each infusion has been paired with policy prescriptions—usually austerity, privatization and market liberalisation—that reshaped the economy and society.

*"A first reflection on the IMF's actions and its austerity policies is the absence of a link between the democratic legitimacy of governments and the actions of international financial institutions. In Argentina, this led to a lengthy debate on the legitimacy of the debt assumed by dictatorships, which conditioned the nascent democracy and forced the first elected government into a debt restructuring with changes to exchange and monetary policies, restrictions on wage increases, and, as a result, an exponential increase in poverty and indigence." (Marita Gonzalez, 2025)*

During the 1970s military dictatorships, IMF loans demanded wage, pension and benefit cuts and initiated the first wave of privatisations. After the 1982 Falklands War (Guerra de las Malvinas), a stand-by programme and a compensatory facility were granted in 1983. The return to democracy that year was immediately constrained by a severe external-debt crisis, forcing tight monetary policy, exchange-rate controls and a surge in poverty.

The 1990s Menem era embraced the Washington Consensus. Taxes on consumption were raised, a massive privatisation drive dismantled state utilities, telecoms, airlines and banks, and the pension system was converted into a privatised, individually capitalised scheme. While intended to boost efficiency, these reforms raised utility rates, degraded service quality and widened inequality. A series of IMF-backed bailouts in the late 1990s and early 2000s—including a near-USD 40 billion "shield" package—failed to restore growth. The fixed-exchange "convertibility" regime (1 peso = 1 USD) collapsed, triggering capital flight, hyperinflation and a sovereign default in December 2001. Unemployment peaked at 19.6%, poverty exceeded 43%, and social unrest engulfed the country. From 2004 to 2015, under the Kirchner administrations, the IMF receded. Argentina renegotiated its debt, repaid obligations early and reduced unemployment to about 6%. However, in 2018 President Mauricio Macri's right-wing government secured a record stand-by programme of roughly USD 45.6 billion, later extended in 2022, re-introducing fiscal

tightening and structural reforms. In December 2023, far-right Javier Milei won the presidency, launching aggressive fiscal austerity, an overvalued exchange rate and deregulation. The resulting recession deepened poverty, slashed public spending on health, education and pensions, and provoked widespread protests, especially among retirees and students.

April 2025 saw another IMF extended-facility loan—estimated between USD 20 billion and USD 57 billion—conditioned on pension reform, labor-market flexibilisation, a 10% civil-service cut, removal of capital controls and suspension of export taxes on grains and soybeans. Critics argue the loan serves geopolitical goals: curbing Chinese investment while opening markets to US multinationals. Projections for the end of 2025 indicate external-debt service consuming 63% of national income, dwarfing allocations for education, health and social protection. The minimum wage fell from the highest in Latin America (2015) to roughly USD 222, placing Argentina at the bottom of the regional ranking. Cuts to the Ministry of Women and the abandonment of climate commitments exacerbate gender inequities and environmental risks, while EU-MERCOSUR trade talks threaten higher CO<sub>2</sub> emissions through expanded lithium mining.

Civil society and social movements—unions, social movements, human-rights groups and coalitions like LATINDADD—continue to resist IMF-driven austerity and foreign-directed trade deals, demanding a sovereign-debt framework convention, debt cancellation, transparent renegotiations, IMF reform and progressive taxation.

Argentina's trajectory is marked by recurring cycles of external borrowing, structural adjustment and social upheaval. While brief periods of stability have emerged, the nation remains heavily dependent on IMF financing, which shapes fiscal policy, constrains public investment and fuels political contention. The country now stands at a crossroads: future reforms could deepen austerity and external dependence, or a revitalised civil-society push could steer Argentina toward a more equitable, sovereign and sustainable economic path.

*"Argentine society, through trade unions, social movements, religious organizations, and human rights organizations, has a long history of struggle and opposition to international financial institutions and all forms of colonialism." (Marita Gonzalez, 2025)*

## ***The path forward: Resistance and sovereignty***

The experiences of Pakistan, Zambia, and Argentina, despite their distinct geographic and cultural contexts, demonstrate a strikingly uniform pattern of economic subjugation driven by IMF conditionalities. In all three countries, the “austerity playbook”—characterised by fiscal consolidation, subsidy removal, privatisation of state assets, and labour flexibilisation—has failed to deliver sustainable growth or debt reduction. Instead, these measures have systematically dismantled public safety nets, eroded national sovereignty, and entrenched a cycle of poverty that disproportionately affects the working class, women, and marginalised communities.

In Pakistan, the removal of energy subsidies and the reliance on dollar-denominated capacity payments have led to soaring electricity costs and chronic load-shedding, pushing millions below the poverty line. Similarly, in Zambia, increased debt servicing has meant budget cuts especially in health and education, while in Argentina, aggressive fiscal tightening under recent administrations has slashed the minimum wage and decimated social protections. In each case, the IMF’s insistence on “market-determined” solutions has prioritised debt servicing over human welfare, resulting in erosion of public services, gendered burdens and regressive revenue measures.

These economic policies serve a broader geopolitical function principally of US imperialism through neocolonial bondage, resource extraction and dependency, and continued systemic wealth transfer from the global South to the global North.

As cited by the contributing authors, the anger and frustration of the people in Pakistan, Zambia, and Argentina have created fertile ground for people’s movements. Painstaking awareness-raising, organising and mobilisation of people’s organisations especially at grassroots levels are crucial. The solution lies not in further IMF policy prescriptions and austerity measures that reinforce the existing system but in a fundamental break from neoliberal policies. This means, foremost, a decisive shift towards economic sovereignty and a rejection of the IMF’s austerity mandate. The struggles in Pakistan, Zambia, and Argentina are interconnected fronts in the fight for economic justice and the right to self-determination.

# ***The Argentine Republic under IMF austerity policies***



Marita González, University of Buenos Aires/General Confederation of Labour (Argentina)

Argentina is the third largest economy in Latin America. The tertiary sector is the most important, accounting for 64 per cent of total GDP. The largest segments within services are wholesale and retail trade, and repairs (14 per cent of total GDP); transport, storage and communications (12.2 per cent); real estate (12 per cent); education, health and social services (7.2 per cent); and financial intermediation (7 per cent). Industry accounts for 25 per cent of GDP, and the largest segments within this sector are: manufacturing (16 per cent of total GDP); construction (5 per cent); and electricity, water and gas distribution (3 per cent). The government accounts for 7 per cent of GDP, and the agriculture and fishing sector accounts for the remaining 4 per cent of GDP<sup>1</sup>. Argentina is a founding member of the regional integration bloc MERCOSUR (Southern Common Market), created in 1991.

## ***The Argentine Republic in the regional context***

MERCOSUR is the fifth largest economy in the world, even though 70 per cent of its production is concentrated in the Federative Republic of Brazil. Its GDP is USD 5.7 trillion (PPP), and its importance lies in the fact that the region has vast reserves of natural resources, is the world's largest food producer, and has significant energy and mineral reserves. The group's economy is highly industrialised, with companies producing a wide range of goods, including high-tech products such as aircraft and electronic components. In recent years, its potential has led to an international trade war, reconfiguring it as a privileged arena for dispute between global powers.

In the current geopolitical landscape, MERCOSUR is under pressure from the imperialist return of the United States to the Southern Cone (comprising the countries of Argentina, Brazil, Bolivia, Chile, Paraguay and Uruguay), which aspires to regain control of the markets and politics of Argentina and Paraguay. On the other hand, China is currently the main buyer of exports and the second largest investor in MERCOSUR. The triad of dispute is completed by the European Union, the former metropolis, which aspires to sign a free trade agreement<sup>2</sup> that constitutes a new neocolonial advance, and has the dual

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<sup>1</sup> Trending Economics. Economic Data 2005-2025. <https://es.tradingeconomics.com/argentina/full-year-gdp-growth#>

<sup>2</sup> The European Union-MERCOSUR Association Agreement has been under negotiation for 25 years. However, following the escalation of the trade war between the United States and China, the EU and Brazil accelerated the adoption process. At the time of writing, the Agreement is scheduled to be signed on 20 December 2025.

objective of appropriating critical resources (especially lithium and rare earths) and ensuring a market for its industrial and technological exports, which will have a negative impact on Argentina's industries.<sup>3</sup>

## ***A brief history of the IMF in Argentina***

The Argentine Republic has a long and tragic history of external debt through the IMF, whether through Stand-By<sup>4</sup> Arrangements or IMF Extended Fund Facilities (EFFs<sup>5</sup>). Its history began with the 1955 coup d'état that overthrew the government of Juan Domingo Perón. That initial kick-off accounts for one of the key aspects in understanding austerity policies. The main dispute then centred on the same issue as today: the development model. While the country's main political force attempted a model based on industrial development, focusing on the domestic market and improved income distribution, subsequent governments, which alternated between military dictatorships and elected governments (but with the Peronist<sup>6</sup> party banned), aimed for economic models of austerity, concentration of wealth in favour of the dominant elites, and integration into the global market through specialisation in primary exports.

In 1956, Argentina joined the IMF and adopted its first Stand-By Agreement. Since then, the country has signed 29 agreements with the IMF: 19 were Stand-By agreements; six were Compensatory Financing facilities, a special line of credit for countries with a trade deficit;<sup>7</sup> three were Extended Fund Facilities; and one was an Oil Finance Facility, a special line of credit created during the oil crisis in the 1970s.

**Figure 1** shows the agreements signed by the country and the respective disbursements by the IMF. A political contextualisation analysis shows that the agreements coincide with dictatorial and liberal governments until the fateful coup d'état of 1976, which established the most repressive system in Argentina, with forced disappearances of people. If we analyse the first year of that dictatorship,<sup>8</sup> three loans were granted, conditional on structural reforms such as reductions in wages, pensions and retirement benefits, as

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<sup>3</sup> Argentina is the fourth largest producer of lithium and is in the region known as the 'Lithium Triangle'. Other critical minerals include copper, uranium, gold, silver, nickel, cobalt and rare earths, which are of great strategic and geopolitical interest due to their relevance in the high-tech industry, energy transition and nuclear energy.

<sup>4</sup> The Stand-By Arrangement (SBA) provides short-term financial assistance to countries facing balance of payments problems. Traditionally, it has been the IMF's most widely used lending instrument for advanced and emerging market countries.

<sup>5</sup> The IMF's Extended Fund Facility (EFF) provides financial assistance to countries facing serious medium-term balance of payments problems due to structural deficiencies that will take time to resolve. To help countries carry out medium-term structural reforms, the EFF offers programmes with longer repayment terms.

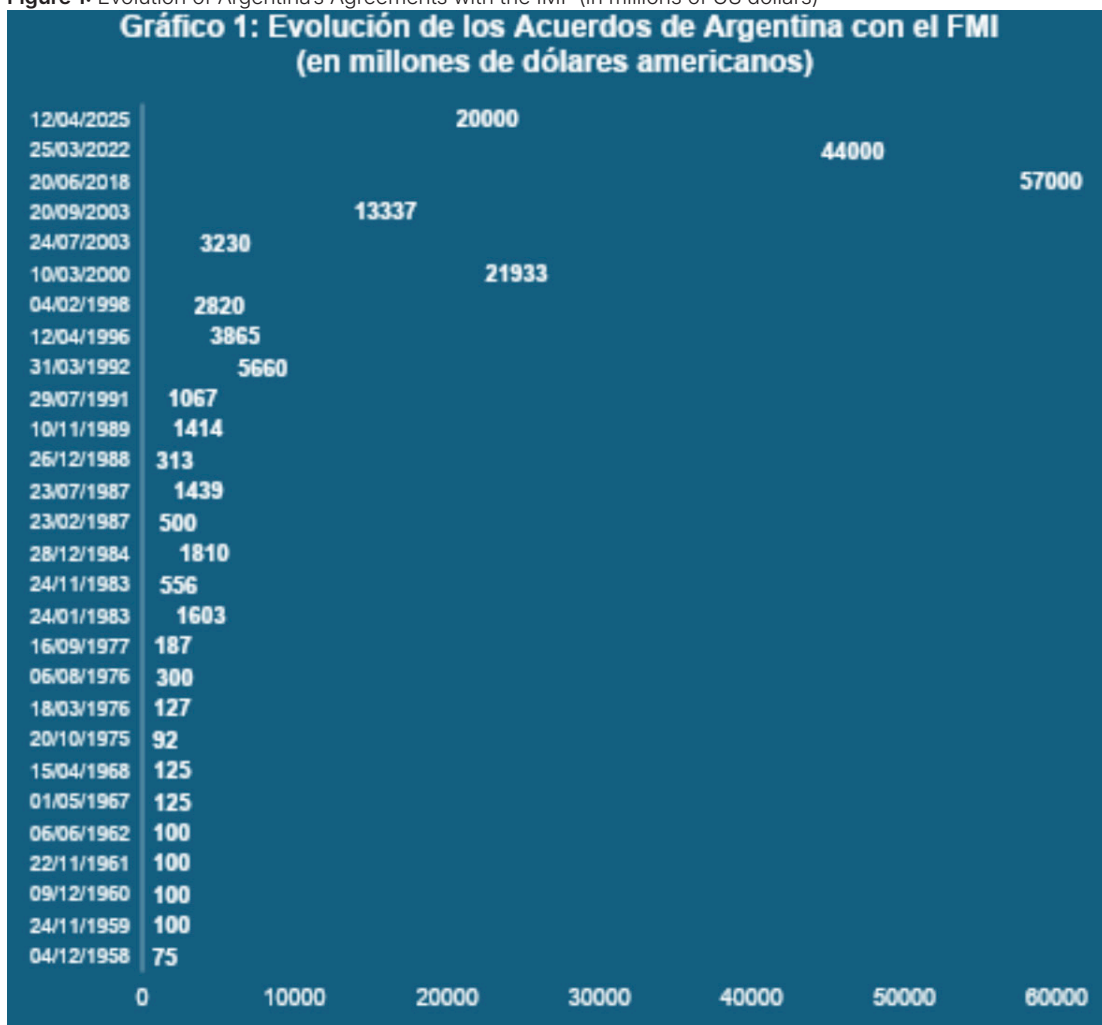
<sup>6</sup> The Peronist Party was founded by Juan Domingo Perón in 1946. It emerged from the union of the Laborista Party, the Unión Cívica Radical Junta Renovadora, and the Partido Independiente, all established in 1945. The party adopted political sovereignty, economic independence, and social justice as its core principles, thereby consolidating a close relationship with the working class and labor unions.

<sup>7</sup> IMF. "Organización y operaciones financieras del FMI." <https://www.imf.org/external/pubs/ft/pam/pam45/spa/gloss.pdf>

<sup>8</sup> The IMF supported dictatorships in Latin America and the Caribbean, since dictatorships in the region were backed by the United States—especially during the Cold War.

well as the first privatisations, particularly of very peripheral companies. It should be borne in mind that in the context of the Cold War, the ruling military leaders focused their attention on continuing to control strategic public companies and concentrating all their government action on “combating the guerrillas”<sup>9</sup> and all left-wing party activists, but particularly trade unionists, Peronist militants, the student movement and all groups stigmatised as dangerous to the consolidation of a neoliberal capitalist accumulation model. It is also striking that after the Falklands War (1982), when the military junta was in retreat, the IMF again established a financial agreement - Stand-by - and a Compensatory Financing Facility in January 1983.

**Figure 1:** Evolution of Argentina's Agreements with the IMF (in millions of US dollars)



<sup>9</sup> The guerrilla movement in Argentina, which emerged in 1966 and lasted until the 1976 civic-military coup, arose from a combination of several factors: the structural political crisis (including the proscription of Peronism, dictatorships, institutional breakdown, and political and social radicalization), the crisis of capitalist domination that fueled international revolutionary influence, rising inequality in the country, economic crisis, state repression, and the emergence of a New Left that viewed armed struggle as a legitimate path. This phenomenon was not isolated but rather part of a broader Latin American cycle of insurgency and a deep crisis within the Argentine political system and the region as a whole.

The return of democracy in 1983 was therefore heavily conditioned economically by the combination of the external debt crisis, which particularly affected Argentina, Peru, and Mexico, and the region's inability to implement a joint renegotiation strategy.

As the IMF and its austerity policies supported undemocratic governments, the questions of legitimacy extended to their financing, too. . In Argentina, this led to a lengthy debate on the legitimacy of the debt assumed by dictatorships, which conditioned the nascent democracy and forced the first elected government into a debt restructuring with changes to exchange and monetary policies, restrictions on wage increases, and, consequently, an exponential increase in poverty and indigence.

Structural adjustment austerity policies were exacerbated by the financial and economic crisis of 1989, which led to an early change of government. The incoming Peronist government brought about an abrupt change in the country's productive, fiscal, monetary and social systems. The presidencies of Carlos Menem (1989-1995 and 1995-1999) saw the implementation of the Washington Consensus with a strong package of austerity measures that sought to redesign the entire economic policy.

In fiscal terms, broader tax bases were established, with increases in consumption taxes, sales tax, and value added tax (VAT), which were highly detrimental to the most vulnerable sectors. It also meant a reorientation of national budgets, where items allocated to education, infrastructure investment and health changed in the accounting system and were no longer considered as investment but were instead considered as "social expenditure". This meant not only an administrative change but also a regressive and neoliberal conception of development.

Secondly, starting in 1990, a reform of the state was carried out, which involved the dismissal of some 127,000 civil servants as part of the privatisation of state-owned companies. Companies such as Gas del Estado (state gas company), SEGBA (Servicios Eléctricos del Gran Buenos Aires, electricity), YPF (Yacimientos petrolíferos Fiscales, fiscal oil deposits) and YCF (Yacimientos Carboníferos Fiscales, fiscal coal deposits), telecommunications services, the Argentinian airlines and maritime transport companies such as ELMA (Empresa Líneas Marítimas Argentinas) were privatised, while the railways, water and sanitation, roads and airports were concessioned. In addition, national banks, the postal service and television companies were sold to the private sector. The World Bank and the Inter-American Development Bank (IDB) were lenders of last resort for business capitalisation and to cover the costs of compensation for dismissed workers.

The rates for privatised and concessioned public services increased considerably, while service quality deteriorated. Likewise, the gap widened between social sectors with access to basic public services (water, electricity, sewerage, telephone, gas) and the poorest families who never had access to them or had to cancel them due to inability to pay. Private companies sought to maximise profits by increasing

rates while reducing investment in infrastructure, which led to poor service provision and quality.

The privatisation of the oil company and steel companies led to the displacement of populations from the south of the country, Patagonia, and the north, Salta and Jujuy, respectively, as they were left without means of livelihood. It was in these places, Cultracó, Neuquén Province and in Palpalá, Jujuy Province, that the first social protests against neoliberal policies implemented by the IMF in collusion with local and foreign corporations benefiting from privatisation began around 1995.

Following the Washington Consensus paradigm, under close IMF surveillance and with World Bank loans to guarantee austerity policies, this government proceeded with economic deregulation, eliminating both tariffs and non-tariff barriers as well as the instruments of state action to safeguard and protect infant industries. Prices were also liberalised, and transport, trade and professional services were deregulated.

In terms of social policies, the most vulnerable population was divided, with the Ministry of Labour creating precarious work plans as a condition for receiving social programmes with subsistence allowances. These conditional transfers, known as Plan Trabajar (Work Plan), presented as a temporary mechanism during periods of short-term unemployment, were extended over three decades, with various economic and cultural consequences. From an economic perspective, the populations living in poverty subsisted through the underground sector of the economy (informal economy) to supplement their income, which resulted in a widening of the gap between salaried workers with labour rights and workers in the popular economy (without labour rights), who built community synergies with a strong potential for renewal of anti-neoliberal, anti-imperialist, and Latin Americanist social movements.

However, from a cultural perspective, the neoliberal narrative prevailed, stigmatising these individuals and groups excluded from the formal capitalist economy and leading to a fragmented and polarised society. In this sense, it can be said that the survival strategies of the excluded sectors and the subsidiary role of the state, on the one hand, and a sector of society that benefited from these austerity policies, on the other hand, crystallised a social divide to the detriment of the social cohesion that existed prior to the austerity policies.

In terms of social security, in 1992 and 1993, the public pension system was privatised and replaced by an individual capitalisation system through the Retirement and Pension Fund Administrators (Administradoras de Fondos de Jubilaciones y Pensiones in Spanish), which were managed by large banks and insurance corporations. In addition, employer contributions were eliminated, creating a crisis in the short- and medium-term sustainability of the system. With the elimination of intergenerational solidarity contributions, retirees and pensioners at that time saw their incomes reduced to an amount

insufficient to cover the basic basket of goods.<sup>10</sup> Workers who remained in the private system were also adversely affected, as part of their contributions went to the administrators' expenses rather than to the workers' individual accounts.

The labour reforms of Carlos Menem's government, carried out mainly through laws such as the National Employment Law (Law 24,013<sup>11</sup>), aimed to reduce the power of trade unions by giving greater weight to individual agreements than to collective agreements. They also established probationary periods, modified compensation systems in favour of employers, and legalised temporary contracts.

The amounts dedicated to external debt servicing increased exponentially in the 1990s, leading to surcharges and refinancing in 1996, 1998 and 2000, the latter already under a new government headed by Fernando De la Rúa. After two years of recession and with the heavy burden of an annual interest payment of USD 20 billion to international organisations, only an extraordinary package from the IMF could curb the surcharges on the external debt. This operation, known as the 'shield,' was a so-called financial bailout agreement with the IMF and other international organisations to prevent a debt default. It included a loan of nearly USD 40 billion, and the renegotiation of debt known as the 'mega-exchange' with the promise of stabilising the economy. However, the measures failed to resolve underlying economic problems such as falling revenues and capital flight, which eroded the monetary base and dollar reserves, precipitating economic collapse in the face of massive popular demonstrations in the streets in December 2001. These demonstrations reflected legitimate popular discontent, also fuelled by the media and dollar-indebted large corporations who sought to convert their debts into pesos and have the state cover the exchange rate differences.

Through borrowing, the country established a dual currency system (peso and dollar) which, lacking a reserve currency, must maintain it through exports, privatisations and public debt. Economic collapse and dependence on international financial institutions constituted a vicious and unbroken cycle since the first loan from the IMF.

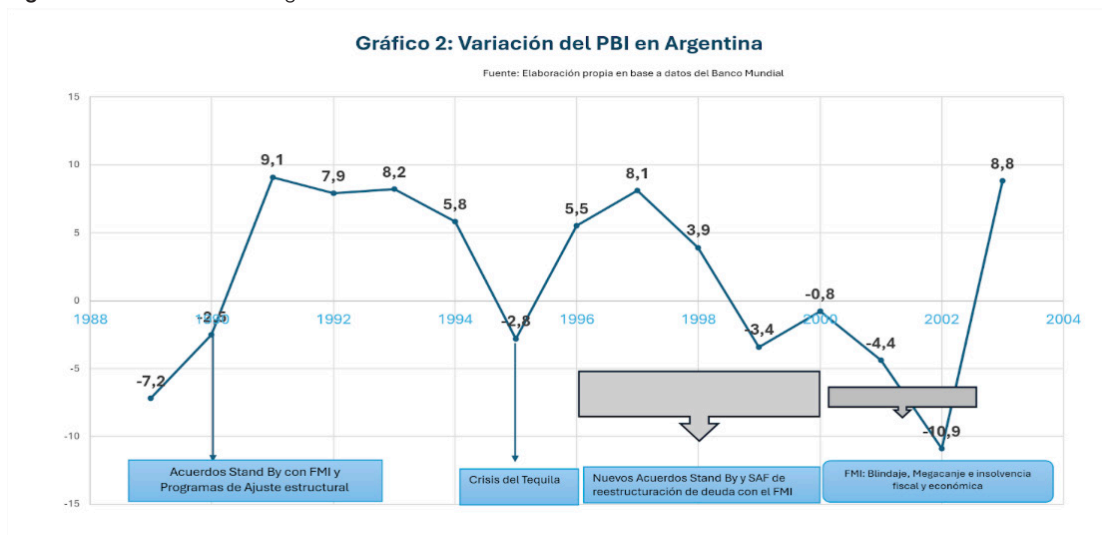
In practice, the convertibility system (one dollar equal to one Argentine peso) was as illusory as it was fatal in reproducing poverty and promoting deflation based on the suffering of working people. The crisis worsened, triggering capital flight, social unrest and, ultimately, economic collapse, deficit and the resignation of the government in December 2001. Figure 2 shows the evolution of GDP throughout the 1990s summarised in this section and illustrates how the global crises of neoliberalism directly affected the performance of the economy, how these crises were associated with new IMF loans and, consequently, new austerity policies. It also shows how the 'bailouts', far from producing a return to economic growth, caused the greatest economic crisis in the country's history.

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<sup>10</sup> See: Law 24,241, creation of the Retirement and Pension Fund Administrators (AFJP) and partial privatisation of the administration of retirement funds. <https://servicios.infoleg.gob.ar/infolegInternet/anexos/0-4999/639/norma.htm>

<sup>11</sup> Law 24,013. National Employment Law. <https://servicios.infoleg.gob.ar/infolegInternet/anexos/0-4999/639/norma.htm>

Figure 2: GDP variation in Argentina



Unemployment in the 1990s rose from 4.6% in 1989 to 19.6% in 2001. Poverty increased following the recession that began in 1994 (the 'tequila effect'<sup>12</sup>) and the crisis of 1998, reaching 43.5% in 2001, with 20% living in extreme poverty, foreshadowing the collapse of December of that year and its knock-on effect in the following two years.

The restructuring of the debt in the period 2004-2015 and the decision not to take on any more debt from international organisations, as well as to end the IMF's quarterly audits, led to significant economic development based on the domestic market and the restructuring of the productive matrix and employment growth. This occurred during the administration of Néstor Kirchner (Peronist, Frente para la Victoria), when Argentina received more than USD 13 billion<sup>13</sup> through a Stand-By programme. Although a three-year plan was agreed upon, at the end of 2005 Kirchner announced the early repayment of the debt.<sup>14</sup> During this period of IMF absence from the country, unemployment fell from 15.4% to its lowest level at the end of the period, reaching 5.9%<sup>15</sup> according to the National Institute of Statistics and Census of Argentina (INDEC).

After 11 years of little interference from international financial institutions in Argentine politics, the country once again elected a neoliberal right-wing political party, which in

<sup>12</sup> The "tequila effect" was a financial crisis that began in Mexico in December 1994, when the government abruptly devalued the Mexican peso. This decision triggered capital flight, inflation, and economic recession in the country.

<sup>13</sup> efatura de Gabinete de Ministros, Presidencia de la Nación. 2005. "Memoria detallada del estado de la Nación, Año 2004." [https://www.argentina.gob.ar/sites/default/files/memoria\\_2004.pdf](https://www.argentina.gob.ar/sites/default/files/memoria_2004.pdf)

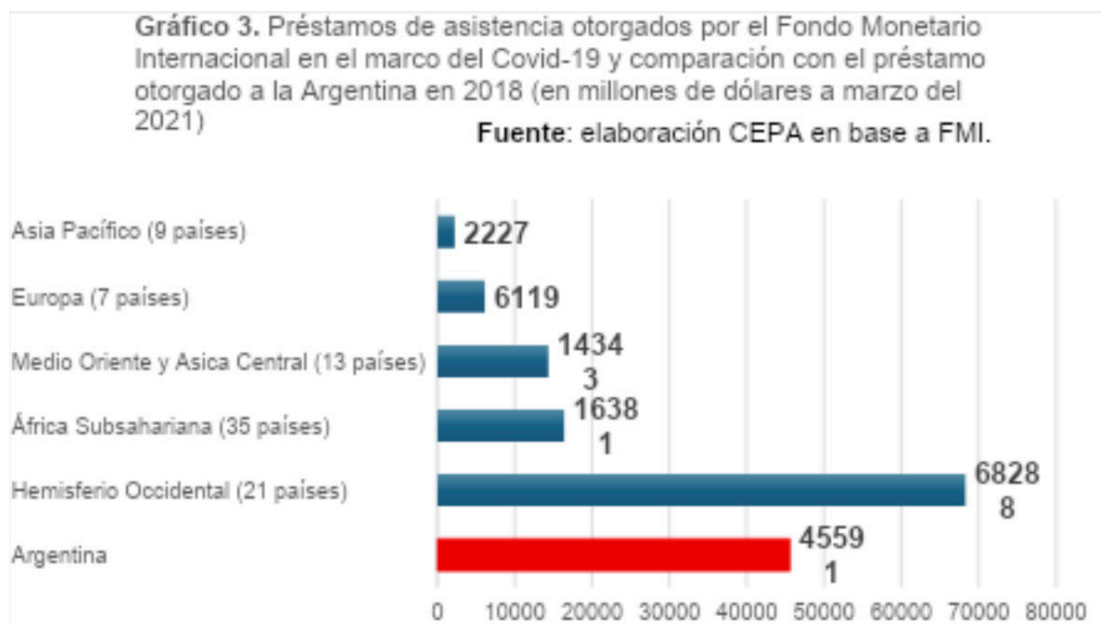
<sup>14</sup> Casa Rosada Presidencia. 2005. "Palabras del Presidente de la Nación, Néstor Kirchner, en el acto de anuncio del plan de desendeudamiento con el Fondo Monetario Internacional." <https://www.casarosada.gob.ar/informacion/archivo/24862-blank-41184041>

<sup>15</sup> INDEC. National Institute of Statistics and Census. Permanent Household Survey. [https://www.indec.gob.ar/uploads/informesdeprensa/EPH\\_cont\\_trim15.pdf](https://www.indec.gob.ar/uploads/informesdeprensa/EPH_cont_trim15.pdf)

2018 turned to the IMF to resolve the imbalances caused by the *Cambiamos* government itself,<sup>16</sup> led by Mauricio Macri (2015-2019). The amount disbursed to Argentina reached \$45.6 billion, an unprecedented figure in the history of the IMF. The organisation's monetary commitment was aimed at ensuring that the ruling party maintained its legitimacy and could win re-election in 2019. This fact is widely recognised and documented<sup>17</sup> by the credit organisation's own officials and with the collusion of Donald Trump. The loan exceeded the organisation's commitment to 64 other countries to address the crisis triggered by the pandemic. It is perhaps the most compelling demonstration of the unusual nature of the Stand-By agreement signed in 2018 and its subsequent extension in 2022.

The exceptional access for credit approval by the IMF includes certain criteria<sup>18</sup> that must be met when exceeding 145% of the quota in a year or cumulatively exceeding 435%. Both limits, in the case of Argentina, were breached in the 2018 financing programme.

**Figure 3:** Aid loans provided by the IMF in the COVID-19 context compared to the loan provided to Argentina in 2018 until March 2021 (in US million Dollars)



<sup>16</sup> Goñi, Uki. 2018. "Argentina seeks IMF loan to rescue peso from downward slide." The Guardian, May 8. <https://www.theguardian.com/world/2018/may/08/argentina-seeks-imf-loan-to-rescue-peso-from-downward-slide>

<sup>17</sup> C5N. 2020. "El préstamo del FMI fue un salvavidas de Trump para Macri [Video]." <https://www.youtube.com/watch?v=6sP-M2IRLKEI>

<sup>18</sup> The criteria for exceptional IMF loans are as follows: 1) The member country must be facing a balance of payments crisis that cannot be resolved through conventional means. 2) Public debt must be on a path of high probability of repayment in the medium term. 3) The member country must have a favourable outlook for its return to international credit markets within a timeframe and amount that allows for the repayment of the funds obtained from the organisation. 4) The programme proposed by the member country must have a prospect of success in terms of institutional and political capacity to carry it out.

According to the specialised institute Centro de Economía Política Argentina, if all the disbursements under the agreement adjusted in October 2018, totalling approximately USD 57 billion, had been made, this would have exceeded half of what the IMF disbursed to 85 countries<sup>19</sup> during the pandemic. The ruling party was closely linked to Argentina's economic elites and to JP Morgan, the most important financial group and bank in the United States. JP Morgan also affects the country's credit rating as the creator of the Emerging Market Bond Index (EMBI).<sup>20</sup> Far from being a neutral entity, it rates the country's risk according to its ideological proximity to neoliberal governments willing to implement austerity policies; when more progressive coalitions are in power, it operates by manipulating the media to create a climate of uncertainty.

However, the Cambiemos government's goal of re-election for the 2019-2023 term suffered a serious setback when Peronism regained the presidency with candidate Alberto Fernández. The financial institution's conditions imposed a new debt renegotiation in 2022. The new 'extended facilities' agreement,<sup>21</sup> also known as the 'IMF's extended service', granted a longer period to repay the debt, extending the terms to 10 years. However, this meant a debt increase of USD 44 billion.

Finally, in December 2023, the elections took an unexpected turn with the victory of a new far-right libertarian party led by Javier Milei (La Libertad Avanza Party), aligned with the United States and strengthened by Donald Trump's new administration from 2025 onwards. This year, with the consent of the US government, Argentina took out a new loan from the IMF.

## ***Argentina's current debt and model of destruction***

Milei took office in December 2023, and Argentina has been in a deep recession ever since. The recession has been caused by extreme fiscal austerity that cut public services and investment; a vastly overvalued exchange rate that weakened the trade balance; and deregulation that increased profits at the expense of wages.

The recession is evident in the collapse of industrial production, GDP growth and economic contraction. This recession further exacerbated food insecurity and led to an initial increase in hunger. The official poverty rate has fallen again, but it underestimates the situation by failing to recognise the massively higher prices of water,

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<sup>19</sup> CEPA. 2021. "La corresponsabilidad del FMI en la crisis argentina 2018-2019: lo que no vas a encontrar en la revisión del organismo sobre el préstamo otorgado." <https://centrocepa.com.ar/informes/308-la-corresponsabilidad-del-fmi-en-la-crisis-argentina-2018-2019-lo-que-no-vas-a-encontrar-en-la-revision-del-organismo-sobre-el-prestamo-otorgado>

<sup>20</sup> J.P. Morgan created and maintains the EMBI (Emerging Markets Bond Index), the globally used index for measuring the sovereign risk of emerging market bonds. The well-known "country risk" for Argentina is the EMBI+ Argentina, a sub-index within that system. This index is a measurement of the yield spread between Argentine bonds and U.S. Treasury bonds.

<sup>21</sup> IMF. "The Extended Fund Facility." <https://www.imf.org/en/about/factsheets/sheets/2016/08/01/20/56/extended-fund-facility>

gas and electricity. Pensions for retirees have been decimated, prescription drug prices have skyrocketed, and Milei's government has also brutally suppressed protests by retirees. In addition, spending on education and health care and budgets for universities and science have been cut, leading to ongoing demonstrations by the educational community.<sup>22</sup>

On the eve of the midterm elections, the US government provided the ruling party with a new lifeline in the form of a loan from the IMF. As Thomas I. Palley (2025) states, "the overtly political purpose of the IMF loan is evident in the April 2025 comments of IMF Managing Director Kristalina Georgieva, who publicly stated at the IMF's annual spring meeting: 'The country is going to elections in October, and it is very important that they do not derail the will for change. So far, we do not see the risk materialising, but I urge Argentina: keep the course.'<sup>23</sup> Her statements violate core IMF protocols prohibiting political interference.

Once again, this is a case of swapping colonisation for debt, where financial assistance does not pass any IMF audit, but rather the objective is geopolitical: on the one hand, to demand the withdrawal of Chinese capital from Argentina and, on the other, to establish an asymmetrical treaty of financial openness and market access by the United States, which gives favourable treatment to multinationals from the Northern power to the detriment of the national productive machinery. The extended facilities agreement with the IMF signed in April 2025 amounts to USD 20 billion and includes among its conditions a pension reform, a labour reform to increase flexibility, the dismissal of 10% of the civil service workforce, the immediate suspension of most capital controls, and the suspension of the export tax on grains and soybeans,<sup>24</sup> the only mechanisms for appropriating extraordinary income for equitable distribution to the poorest sectors and for financing social protection.

Overall, according to Matthew Martin's (2025) studies for LATINDADD, Argentina will reach the end of 2025 with an external debt service that amounts to 63% of its income, and the outflow of foreign currency needed to cover its financial obligations will exceed by 188% what the country allocates to education, 180% of what it allocates to health, and 16% more than the budget allocated to social protection.

The conditions attached to loans and the Memorandum of Understanding with the United States, as two converging instruments of colonisation, are already having a severe impact on wages, with Argentina falling from having the highest minimum wage in dollars in Lat-

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22 Infobae. 2025. "Marcha Federal Universitaria: cómo fueron las principales movilizaciones en el interior del país." Infobae.com, September 17. <https://www.infobae.com/politica/2025/09/17/marcha-federal-universitaria-como-son-las-principales-movilizaciones-en-el-interior-del-pais/>

23 Ogier, Thierry. 2025. "IMF chief urges Argentines to back Milei's reforms." Latin Finance, April 24. <https://latinfinance.com/daily-brief/2025/04/24/imf-chief-urges-argentinians-to-back-mileis-reforms/>

24 Heath, Maximilian and Anthony Esposito. 2025. "Argentina seals \$20 billion IMF deal, tears down currency controls." Reuters, April 12. <https://www.reuters.com/world/americas/argentina-eases-fx-controls-major-policy-shift-ahead-imf-deal-2025-04-11/>

in America in 2015 to the bottom of the ranking, at USD 222. The impact on women and diversity goes beyond the analysis of employment, as the far-right libertarian government has eliminated the Ministry of Women and cut funding for policies addressing gender violence, reproductive health, and the care economy.

In terms of climate change, the free trade agreements with Europe (EU-MERCOSUR) mentioned at the beginning of this report have a direct impact on a considerable increase in CO2 emissions, as they provide for the Global Gateway to prioritise extractive investments in the lithium triangle (Gran Chaco Americano region). Furthermore, there is ideological alignment with the United States in terms of abandoning the Paris Agreement and the various Climate Change Summits (COP). Even though the trade agreement has not been discussed by the Argentine National Congress and there are doubts as to whether it complies with the law in this area, it states that Argentina has committed to taking measures to further combat illegal logging, promote a more resource-efficient economy, including in the critical minerals sector, and to fully implement the obligations of the World Trade Organisation (WTO) Agreement on Fisheries Subsidies, such as on the prohibition of subsidies except for biological recovery and a total prohibition in unregulated seas.

## ***The voice of Argentina's society***

Argentine society, through trade unions, social movements, religious organisations and human rights bodies, has a long history of struggle and opposition to international financial institutions and all forms of colonialism. This was expressed both in the social rejection of the IMF during the 1990s, a period of increased intervention by international lending agencies, and in the struggle against the FTAA.<sup>25</sup> Twenty years after that historic social struggle, the Argentine trade union confederations (CGT, the general workers' confederation — Confederación General de Trabajadores; CTA Autonomic and CTA workers; Argentine worker's central union; together with workers from the social and popular economy — UTEP, Unión de Trabajadores y Trabajadoras de la Economía Popular) brought together social movements and civil society organisations in the city of Mar del Plata to reclaim and launch a new popular resistance.<sup>26</sup> Trade unions and social organisations are part of the Continental Day for Democracy and Against Neoliberalism, which is made up of organised peoples from different social backgrounds: trade unions, women's movements, farmers, environmentalists, regional networks and organisations, which, as part of the initiatives organised over decades, have come

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<sup>25</sup> FTAA: Free Trade Area of the Americas. US hegemonic project to create free trade in all Latin American and Caribbean countries, opposition to which reached its peak in Mar del Plata, Argentina, in 2005, when trade union and social movements united in the Continental Social Alliance opposed the designs of the northern power and demanded that the MERCOSUR countries reject the signing of the FTAA, which constituted a milestone in historical social resistance. The rejection of the FTAA marked a turning point in US interference in the region.

<sup>26</sup> 'Declaración a 20 años del "No al ALCA" Mar del Plata, faro de la integración de los pueblos.' [https://drive.google.com/file/d/1\\_RkZd1pzdJZsDMaBh3kti1LL8miawq/view](https://drive.google.com/file/d/1_RkZd1pzdJZsDMaBh3kti1LL8miawq/view)

together in spaces of resistance, struggle, and the construction of alternatives for and from the peoples of the Americas.

Likewise, a significant number of Argentine civil society organisations are part of the regional alliance against debt and for fiscal justice within the framework of LATINDADD, which advocates for and carries out the Jubilee Debt Campaign. Among its main demands are:

- A Framework Convention on Sovereign Debt at the United Nations.
- Rapid debt relief, including debt cancellation, catastrophe clauses, legislative reforms.
- Debt renegotiation: independent, timely, transparent, binding mechanism (no false solutions, caution with debt swaps).
- Reduce capital costs/access to concessional financing for SDGs and climate/ecological agenda, alternative vulnerability criteria, including new SDR allocations, beyond ODA.
- Institutional reforms: IMF (surcharges, quotas), BMD, credit rating agencies, transparency and accountability.
- New debt sustainability frameworks (to what extent does debt servicing put human rights, sustainable development and the environment at risk?). No more austerity measures.
- Progressive tax systems and elimination of illicit financial flows.

In addition to regional alliances that promote activism against colonialism and foreign debt, demonstrations have increased exponentially at the national level, particularly among retirees and pensioners, university students, trade unions, health workers, and civil servants. However, it is also regrettable to note the increase in political apathy, unprecedented for a country with high levels of trade unions and political awareness, especially among the most vulnerable sectors, which in the last two years, faced with the shock policies promoted by this government, have been subsumed into a stupor and a slowdown in their capacity for social response. Even so, Argentina's history shows that this cemetery-like peace will be short-lived. The dignity of the people has always risen to the surface.

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INDEC. Instituto Nacional de Estadísticas y Censo. Encuesta Permanente de Hogares. [https://www.indec.gob.ar/uploads/informesdeprensa/EPH\\_cont\\_1trim15.pdf](https://www.indec.gob.ar/uploads/informesdeprensa/EPH_cont_1trim15.pdf)

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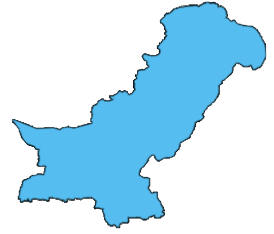
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Palley, Thomas (2025) Cómo el FMI y Estados Unidos ayudaron a saquear y atrapar a Argentina con deuda – in Revista Sin Permiso. Edición 23 de octubre de 2025. <https://sinpermiso.info/textos/como-el-fmi-y-estados-unidos-ayudaron-a-saquear-y-atrapar-a-argentina-con-deuda>

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# **Pakistan and the IMF: Austerity amid decades of neocolonial bondage**



Roots for Equity

Pakistan has been a major recipient of International Monetary Fund (IMF) loans and has signed 24 agreements with the IMF from 1958 up to the present, of which only two saw completion (Annex 1). In short, the country has not had a very positive relationship with the IMF, and many programmes have been discontinued after the first tranche of loans. The IMF International Evaluation Office (IEO) report<sup>1</sup> found that Pakistan's decision-making is politically driven, with dominant interests driving the government's way of implementing IMF conditions.<sup>2</sup>

In the past two decades the country has been through many political and economic upheavals. From 2001 to 2008 August, under the dictatorship of General Pervez Musharraf (who took power through a *coup*), and then from 2008 until the present, the country's administration has been under three different political parties, namely, Pakistan People's Party (PPP) under President Asif Ali Zardari, Pakistan Muslim League (N) under Prime Minister Nawaz Sharif, and Pakistan Tehreek-e-Insaf (PTI) under Prime Minister Imran Khan. However, since 2000, every government – whether a military dictatorship, civilian, or hybrid regime – has nearly doubled the country's public debt at the end of its political term.

Though the IMF IEO's assessment cannot be denied, one also needs to question the Fund's push to provide loan after loan, when the agreements neither came to a finish nor were the agreement's stipulations implemented. In addition, the IMF never wavered or lessened its harsh austerity measures. The conditionalities were imposed even under external shocks such as climate crisis-related disasters, or major economic hardships such as the COVID-19 pandemic that had worsened Pakistan's economy.

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1 International Monetary Fund. 2002. Evaluation of Prolonged Use of IMF Resources, Evaluation Report. <https://www.imf.org/external/pubs/ft/epui/2002/pdf/report.pdf>.

2 For instance, land-owning classes were able to ensure that IMF conditions exclude land taxation policies on their agricultural lands. Those state-owned enterprises linked to politicians in the cabinet and the country's ruling elite were able to evade privatisation.

## ***Geopolitics, Pakistan, and the IMF at the turn of the 21st century***

In 1999, the IMF had suspended its lending to the country because of the government's failure with previous conditionalities and stipulations. At that point the country's net public debt was more than 90 percent of gross domestic product (GDP). Nuclear weapons tests carried out in 1998 had resulted in US-led economic sanctions leading to a balance of payments crisis.

In December 2001, General Musharraf resumed relations with the IMF, and after many years of non-compliance this stand-by agreement (SBA) was fully implemented, just after 9/11. Under the dictatorship of General Musharraf's regime, Pakistan also entered a bloody partnership with the US in the so-called War on Terror.<sup>3</sup> In terms of post-9/11 security policy, Pakistan became embroiled in operations against the Taliban within Pakistan's borders; economically, the US 'carrot' was the huge amounts of aid and loans pouring in from not only the IMF and World Bank, but other international donors.

The structural reforms stipulated by the IMF in 2001 included the following:<sup>4</sup>

- (i)** Tax and Trade Reforms,
- (ii)** Public Enterprise Reform and Privatization,
- (iii)** Financial Sector Reforms, and
- (v)** Transparency, Governance, and Public Sector Financial Management and Accountability.

Based on the above commitments, the government underwent economic policy reforms and austerity measures at national level. Market-based regulatory bodies, such as the Oil and Gas Regulatory Body, were established.<sup>5</sup> Aggressive privatization of state-owned enterprises were pursued in oil and gas, banking, telecommunications and energy. In the financial sector, major state banks (Habib Bank, United Bank and Allied Bank) were privatised. The State Bank of Pakistan (SBP), the central bank, was granted autonomy. Fiscal policy changes included "raising tax revenues, reducing expenditures, cutting down subsidies". A number of measures were taken for tax reforms, raising tax base and

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<sup>3</sup> The tail end of the Cold War, with the Afghan-Soviet Union war, marked a closer relationship between the governments of Pakistan and the US through military and economic aid as well as support for anti-Soviet armed groups in Pakistan. Pakistan's involvement deepened into the era of the US so-called War on Terror after 9/11.

<sup>4</sup> IMF. 2001. "Letter of Intent." IMF, March 18. <https://www.imf.org/external/np/loi/2001/pak/01/>

<sup>5</sup> Asian Development Bank. 2009. "ADB Validity Report: Pakistan Energy Sector Restructuring Program." ADB, May. <https://www.adb.org/sites/default/files/evaluation-document/35637/files/in161-09.pdf>

revenues that included administrative tax measures such as simplifying tax administration, cutting down corruption through eliminating direct contact between tax collectors and payers, as well as facilitating automated tax collection systems.

Overall, adherence to the IMF stipulations did not really change the indebtedness of the country. In the 2000 to 2008 period, Pakistan's gross public debt had risen to PKR 6.1 trillion (approximately USD 87.1 billion), which was a 100% increase in the duration of the eight years.

## ***Energy privatisation and the debt trap***

Among different conditionalities and austerity measures, the privatisation of the power and energy sector has been one of the most critical factors leading to Pakistan's economic doldrums. This sector was first privatised during the 1990s. A paper noting the significant roles of international financial institutions in Pakistan described how these actors enabled private investors in Pakistan's power sector:<sup>6</sup>

*"In the late 1980s and early 1990s, these [international] institutions were more eager to give loans for building new power plants. It is also obvious from the support the World Bank offered in the development of HUBCO [HUB Power Company, the first private power company in the country]. Later they encouraged governments to privatize state-owned corporations. It was the support offered by the multinational institutes that developed interests among private investors in investing in developing countries. In Pakistan, the shortage of funds in the public sector to meet the rising electricity demand offered a golden opportunity to private investors."*

A central aspect of the debt trap that Pakistan faces is hinged to its energy crisis. In 1994, based on the conditionalities of the IMF, the government advanced a new power policy framework, namely the 1994 Power Policy. It allowed lucrative investment and loan opportunities to foreign and domestic investors. The policy attracted USD 5.3 billion in total, with USD 3.0 billion of foreign debt; official creditors comprised around 85% of the foreign debt.<sup>7</sup>

Investors and institutions that flocked due to the Power Policy included European, Arab, US, and Japanese firms, international bank consortia, and several multilateral lending agencies like the Asian Development Bank (ADB) and the IMF's sibling organisation, the World Bank. Nearly all organizations of the World Bank Group,

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<sup>6</sup> Afia Malik. 2021. "In power projects: history, policy and politics." PIDE, P&R Vol. 2, Issue 5, Policy and Research. <https://file.pide.org.pk/pdfpideresearch/par-vol2i5-03-in-power-projects-history-policy-and-politics.pdf>

<sup>7</sup> Julia M. Fraser. 2005. "Lessons from the independent power experience in Pakistan." The World Bank Group, The Energy and Mining Board. p. 6. [https://ppp.worldbank.org/sites/default/files/2022-06/Lessons\\_20from\\_20the\\_20Independent\\_20Private\\_20Power\\_20Experience\\_20in\\_20Pakistan\\_0.pdf](https://ppp.worldbank.org/sites/default/files/2022-06/Lessons_20from_20the_20Independent_20Private_20Power_20Experience_20in_20Pakistan_0.pdf)

including the International Bank of Reconstruction and Development (IBRD), the Multilateral Investment Guarantee Agency (MIGA), and the International Finance Corporation (IFC) played a role in different capacities.

The 1994 Power Policy created so-called Independent Power Producers (IPPs) which were highly skewed in favor of the private entities. The IPPs were provided various incentives to overcome the political, economic, financial and other risks involved.<sup>8</sup> The IPP investments were only undertaken once the risks were insured, transferred or guaranteed. The 1994 policy offered several concessions, including many fiscal incentives, including lower taxes, duties and fees, with the State Bank of Pakistan providing the foreign exchange risk insurance, as well as the freedom to choose insurance companies.<sup>9</sup>

The IPPs continue to be the most critical drains on Pakistan's economy.<sup>10</sup> The power policy created a capacity payment system or a 'bulk power tariff,' based on which Pakistan's Water and Power Development Authority (WAPDA) had to pay a fixed amount every month to the private IPPs, irrespective of whether it received any electricity from them or not.

In a manifestation of US dollar hegemony, WAPDA had to pay in US dollars. This meant that with dollar fluctuations against the Pakistan rupee, the cost of paying the tariffs was crippling for the state authority. It had to pay the IPPs one billion dollars annually in capacity payments.<sup>11</sup> By the 2010s, further US investment in the power sector was also driven by an Energy Working Group under the U.S.-Pakistan Strategic Dialogue; this included private-public partnerships (PPP) such as a \$375 million wind power generation infrastructure in Karachi.<sup>12</sup>

The impacts of the power policy received the ire even of business representatives. The All-Pakistan Textile Mills Association (APTMA), the premier national textile trade organisation, made the case that excessive electricity costs pose a threat to Punjab-made textile exports. Due to the government's incapacity to pay IPPs on schedule, the nation frequently and severely suffers from power outages. It would be common for companies in Pakistan to have installed backup private power sources to maintain their operations. The manufacturing industrial sector's lowered productivity and shut downs then impact the working classes.

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**8** Anjum Siddiqui. 1998. "IPPs: the real issues." *The Pakistan Development Review* 37 : 4 Part II (Winter) pp. 37:4, 811-823. <https://file.pide.org.pk/pdfpdr/1998/811-823.pdf>

**9** Fahd Ali and Fatima Beg. 2007. "The history of private power in Pakistan." Sustainable Development Policy Institute, Working Paper Series #106. April.

**10** Afia Malik. 2021. "In power projects: history, policy and politics." PIDE, P&R Vol. 2, Issue 5, Policy and Research. <https://file.pide.org.pk/pdfpideresearch/par-vol2i5-03-in-power-projects-history-policy-and-politics.pdf>

**11** Fahd Ali and Fatima Beg. 2007. "The history of private power in Pakistan." Sustainable Development Policy Institute, Working Paper Series #106. April, p. 7.

**12** Zia Khan. 2010. "Deal struck on 375 million wind power plant." *Express Tribune*, November 15. <https://tribune.com.pk/story/77553/deal-struck-on-375-million-wind-power-plant>

## ***Recurring IMF conditionalities and austerity***

In 2008, as the financial crisis started to spread beyond the US, Pakistan signed a new Stand-by Agreement signed with the IMF. The new stipulations were similar from the previous agreement and included a “reduction in ‘fiscal deficit, tightening of monetary policy, amendment in banking legislation to enhance effectiveness of the SBP’s enforcement powers in the area of banking supervision, and harmonization of the General Sales Tax (GST) and income tax regimes.”<sup>13</sup> The most critical set of structural reforms was to phase out energy subsidies. However, the government was unable to adhere to the conditionalities imposed by the IMF, and the agreement did not reach completion.

In 2013, a new IMF arrangement was sought with the government. The state of the country was described as:<sup>14</sup> “**(1)** a very large fiscal deficit, which could no longer be financed; **(2)** the critically low level of international reserves; and **(3)** the need for structural reforms—particularly in the energy sector—to get the economy out of the low-growth trap it has been mired in for years.” The aim of the new IMF agreement was to bring down the deficit from eight percent of GDP to around 3.5 percent of GDP over three years.

In the past two decades, policy reforms suggested by the IMF have remained the same without any effective results. The IMF loan conditionalities included “fiscal consolidation,” tax reform, measures to tackle the energy crisis, restructuring and privatisations of public sector enterprises, trade policy reforms, and steps to boost the investment climate. It was thought that the tax base would be broadened, with cuts to the subsidies provided to the rich classes, while maintaining low prices for the lowest consumers.

The policy focus of the tax reform was in reality a burden to working classes, as the tax collection from direct taxes was below 40% of total tax revenue, while indirect taxes made up the rest of 60%, of which a large part came from sales taxes. This meant that the bulk of the tax burden fell on the economically weaker segments of society, in a context where 92% of the population was below the minimum income bracket for taxation.<sup>15</sup>

The direct taxation was heavily targeted toward the industrial sector, which only contributed 20% to the GDP, but paid 60% of taxes collected. The agriculture sector, however, which contributed 21% of the GDP, paid only 2.5% of tax revenue collected;<sup>16</sup> it means that the land-owning classes and feudal landlords have been less taxed. This can be linked to the issue of land concentration and the power of

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13 Syed Nazre Hyder. 2012. “IMF Stand-by Arrangement for Pakistan and its Inconclusive End – What went Wrong?” Sustainable Development Policy Institute. <https://dataspace.princeton.edu/handle/88435/dsp01ng451k754>.

14 Jeffrey Franks. 2013. “Pakistan: the realities of economic reform.” IMF Blog, December 19. <https://www.imf.org/en/Blogs/Articles/2013/12/19/pakistan-the-realities-of-economic-reform>

15 Safiya Aftab. 2014. “What is pushing tax reform in Pakistan?” Norwegian Peacebuilding Resource Centre (NOREF), January. <https://www.files.ethz.ch/isn/177487/a3fd0b9ea58bbc2140074123dc3c1344.pdf>

16 *Ibid*, p.2

landowners in Pakistan: during the formation of the country in 1947, only seven percent of the landowners owned 53 percent, or more than half, of the land. Landownership became even more concentrated throughout time: according to the 11th Five Year Plan for 2013-18, only five percent of the agricultural households own 64 percent of farmland.<sup>17</sup>

## ***Deepening neocolonial bondage during the pandemic years***

In 2019, the Pakistan Tehreek-e-Insaf (PTI) government, despite the PTI's past criticisms against previous governments accepting IMF loans and conditionalities, entered another Extended Fund Facility (EFF) agreement with a loan of USD 6.0 billion. The PTI government had promised to reduce the debt burden to PKR 20 trillion (USD 71 billion).<sup>18</sup> This promise was broken: at the end of PTI's 43-month tenure, the national debt was at PKR 44.3 trillion (USD 158 billion),<sup>19</sup> up by 77% in less than four years or by PKR 19.3 trillion (USD 69 billion).<sup>20</sup> Pakistan's total debt and obligations<sup>21</sup> had soared to nearly PKR 60 trillion (USD 214 billion).<sup>22</sup>

In general, the new loan disbursement's conditionalities were no different from before and included increased revenue generation, and like before, emphasis was put on monetary policy and a market-based exchange rate and further trade liberalization.<sup>23</sup> The conditionalities that were imposed included a "decisive fiscal consolidation" (the IMF's term for austerity), a free-market exchange rate,<sup>24</sup> building official reserves, increased gas and electricity rates (called "cost recovery"), further devaluation of the Pakistani rupee, and raising interest rates. In addition, demands were made that countries like China, Saudi Arabia and the UAE roll-over their debt of USD 10.2 billion for at least a year.<sup>25</sup> The geopolitical factors at play have also affected Pakistan because China is its principal economic partner. There were concerns aired by the US that the IMF loans could be used to settle Pakistan's debt obligations to China.<sup>26</sup>

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17 Planning Commission, Ministry of Planning, Development and Reform, Government of Pakistan. "11th Five Year Plan 2013-18: Chapter 8, Poverty Alleviation – Human resource development and achieving MDGs." Government of Pakistan, p. 70. <https://www.pc.gov.pk/uploads/plans/Ch8-Poverty-alleviation1.pdf>

18 Shahbaz Rana. "A debt-trap spanning 75 years: Pakistan's journey towards a sovereign default."

19 Shahbaz Rana. "A debt-trap spanning 75 years: Pakistan's journey towards a sovereign default."

20 Shahbaz Rana. "A debt-trap spanning 75 years: Pakistan's journey towards a sovereign default."

21 According to the Finance Division of Pakistan, Pakistan's total debt and liabilities includes private sector debt but also other heads such as public sector entities internal and external debt, commodity operations and others. (Debt Policy Coordination Office, Ministry of Finance, 2019. Debt Policy Statement, 2019-20.)

22 Shahbaz Rana. "A debt-trap spanning 75 years: Pakistan's journey towards a sovereign default."

23 MF. 2019. "Press Release No.: 19/264 IMF Executive Board approves US\$6 billion 39-month EFF arrangement." IMF, July 3. <https://www.imf.org/en/News/Articles/2019/07/03/pr19264-pakistan-imf-executive-board-approves-39-month-eff-arrangement>

24 Pakistan has been implementing a managed floating exchange rate system, where the central bank can still intervene in certain moments, even if the currency is mainly determined by market rates

25 S. Akbar Zaidi. 2019. "Pakistan submits to the IMF again." East Asia Forum, June 11. <https://eastasiaforum.org/2019/06/11/pakistan-submits-to-the-imf-again/>

26 Nyshka Chandran. 2018. "Whether Pakistan accepts money from the IMF or China, its economy is still headed for trouble." August 9. <https://www.cnbc.com/2018/08/09/pakistan-looks-to-imf-or-china-for-bailout.html>

By 2022, in Pakistan's 75th year since its formal independence, the nation accumulated PKR 12 trillion (USD 42 billion),<sup>27</sup> equivalent to one-fourth of the total debt incurred during the last 74 years.

The PTI government was ousted in 2022, and the Pakistan Muslim League (Nawaz) (PMLN) government came into power briefly. There were dire economic hardships at that point, and in July 2022 the outgoing PMLN government again underwent a short-term, 9-month agreement with the IMF. The July 2022 IMF bailout conditionalities<sup>28</sup> were a continuation of free-market exchange rates, increased revenue generation through tax collections, and further price hikes in the energy sector. The government was stipulated to raise more than USD 1.34 billion in new taxes to meet the IMF's fiscal adjustment.<sup>29</sup> Apart from other price hikes, the government of Punjab had notified a 400 percent increase in water utility bills for five major cities.<sup>30</sup>

In 2023 and 2024 the IMF approved a USD 3 billion Stand-By Arrangement (SBA) and a 37-month Extended Fund Facility (EFF) program for about USD 7 billion, respectively. These agreements supposedly supported Pakistan's long-term economic reforms and sustainable growth. In addition, a new arrangement under the Resilience and Sustainability Facility (RSF) was also agreed upon, worth USD 1.4 billion. This arrangement is tied in with a larger support package for Pakistan, which includes the concurrent Extended Fund Facility.

The climate crisis and the push to build Pakistan's capacity to face climate disasters has also become a reason to amass new debts with strings attached. The IMF's RSF, which pushes policy reforms to supposedly address climate risks, has built-in conditionalities including fiscal consolidation, liberalisation, and energy tariff reforms, among others.

One stipulation of the IMF, including in the 2022 agreement, was the devaluation of money. From 2020 to 2023, for every one dollar, the Pakistani rupee's rate had fallen from PKR 161.8 to PKR 278. In the broader context of liberalised economies, this results in cheaper exports and costlier imports. As a result, Pakistan has lost ground to nations like Bangladesh, China, and Vietnam in terms of textile exports and productivity over time.<sup>31</sup> The high cost of gasoline, which raises the cost of transportation and other business-related operations, is another significant barrier to growing exports. Due to these barriers, local manufacturers have

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27 Shahbaz Rana. "A debt-trap spanning 75 years: Pakistan's journey towards a sovereign default."

28 International Monetary Fund. 2023. "Pakistan: Request for a stand-by arrangement – Press release; staff report; staff statement; and statement by the Executive Director for Pakistan." IMF, July. [https://www.finance.gov.pk/mefp/IMF\\_21072023.pdf](https://www.finance.gov.pk/mefp/IMF_21072023.pdf)

29 Express Tribune. 2023. "IMF denies it plans to ask Pakistan to raise taxes on salaried class." Express Tribune, December 15. <https://tribune.com.pk/story/2450123/imf-denies-it-plans-to-ask-pakistan-to-raise-taxes-on-salaried-class#>

30 Roots for Equity. 2023. "In a Nutshell." Roots for Equity, August. <http://rootsforequity.org/wp-content/uploads/2023/09/Issue-II-August-23-In-a-Nutshell-1.pdf>

31 IMF Communications Department. 2023. 'IMF Executive Board Approves US\$3 billion Stand-By Arrangement for Pakistan', International Monetary Fund, 23 July. <https://www.imf.org/en/News/Articles/2023/07/12/pr23261-pakistan-imf-exec-board-approves-us3bil-sba>.

been unable to turn a profit, which has resulted in the closure of numerous firms and a drop in industrial output.

The depreciation of the rupee in the past few years also caused the cost of essential goods like steel, plastics, metals, and industrial chemicals to skyrocket. Pakistan used to export cotton to other nations for the majority of its history, but in a startling reversal of this pattern, it currently spends around USD 2 billion a year purchasing raw cotton, which is used to make textile products that are exported.<sup>32</sup>

With the government tightening its belt in response to an IMF-imposed austerity agenda that calls for liberalising international trade and giving up state control over the currency, national industry is at risk of being eliminated, while monopoly capital in collaboration with allied business classes will be able to push Pakistan further into an abyss of debt, reinforcing its status within the world economy as a semi-feudal, semi-colonial country.<sup>33</sup>

## ***Deepening corporate capture of land and minerals***

To be indebted by billions of dollars to institutions such as the IMF and the World Bank means that the right to self-determination cannot be exercised. This has proven to be entirely true for Pakistan.

Pakistan had been on the verge of officially being in default as it had been unable to repay loans from China, Saudi Arabia, or the UAE; and their loans were rolled over year after year.<sup>34</sup> The IMF bailout loans, debt passed down through the generations, has given the institution significant control over Pakistan's development through the economic restrictions placed on the nation.

In order to comply with the IMF conditionality which stipulated that the country had to acquire funds from other donors before a new IMF agreement could be reached, Pakistan had to beg for USD 3 billion from Saudi Arabia and the UAE, while China rolled over USD 2.4 billion in loans for a period of two years.<sup>35</sup> These funds, of course, also came at a cost.

Right before the PMLN government was dissolved in August 2023, it passed into law more than 200 policies. The outgoing prime minister, along with the then Chief-of-Ar-

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32 Trading Economics. "Pakistan Imports of Cotton". Trading Economics, Accessed from <https://tradingeconomics.com/pakistan/imports/cotton>.

33 In social movement parlance, semi-colonial, semi-feudal countries are described as those who have gained independence from direct colonial rule but maintain a status of indirect rule economically and politically through domestic landowners and a fraction of elites tied to foreign monopoly capital. Due to the subsumed relationship with respect to imperialist states such as the US, economics and governance largely allow access to raw material and other resources while sovereign industrial development is curtailed – all in all, deepening the exploitation of the working class and the peasantry.

34 Fatima S Attarwal. 2023. "Is default an option for Pakistan?" DAWN, March 19. <https://www.dawn.com/news/1742969#:~:text=While%20Pakistan%20has%20not%20officially,to%20continue%20to%20stay%20afloat>.

35 Roots for Equity. 2023. "In a Nutshell." Roots for Equity, July. <http://rootsforequity.org/wp-content/uploads/2023/09/In-a-nutshell-July-2023-2.pdf>

my-Staff (COAS) opened a new one-window trade facility, the Special Investment Facilitation Council (SIFC). For the military to decide over trade and investment in the country is in itself a threat to democratic decision-making, which in any case is weak due to IMF dictates. The focus of the Council was defence, agriculture, minerals, information technology and telecommunications, as well as energy. The SIFC had the lofty expectation of generating more than USD 40 to USD 50 billion in investment into the country.<sup>36</sup> Pakistani government and military collaboration also led to creation of institutions such as the Land Information and Management System.

As part of the agreement, in the name of reviving the economy, a corporate agriculture project called Green Pakistan Initiative was launched under the joint government and military collaboration. The project aims for the cultivation of barren lands, modernising agriculture production, and promoting joint ventures with multinational companies for modern agro-farming on over nine million hectares of uncultivated land. Saudi Arabia invested an initial USD 500 million for supposed high-efficiency irrigation systems. Further investment from the Gulf countries are expected.<sup>37</sup> Six canals were to be built as part of this project which has already been facing massive popular resistance.<sup>38</sup>

Apart from the conditionalities forced by the IMF, in the past years the government of Pakistan also had to face legal action based on the Investor-State Dispute Settlement (ISDS), a system supported by the World Bank Group through its International Centre for Settlement of Investment Disputes (ICSID). In 2019, the ICSID tribunal had ruled in favour of the Australian mining corporation operating in Balochistan province, the Tethyan Copper Company, winning a USD 5.9 billion claim against the Pakistani state.<sup>39</sup> Under the PTI government, 23 of its 48 bilateral investment treaties (BITs) were supposed to be terminated. By January 2024, under a caretaker regime, the government backtracked and agreed to new ISDS provisions after a trade deal with the Gulf Cooperation Council.<sup>40</sup>

The provincial Balochistan government had challenged the federal government on allowing the Australian Tethyan Copper Company to exploit its copper and gold mines, and had broken the contract. But in the end, based on the huge multibillion dollar fine that the Pakistani government was levied by the ICSID, the mining corporation was allowed to resume its extraction in Balochistan, a province home to a decades-long struggle for self-determination.

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36 Roots for Equity. 2023. "In a Nutshell." Roots for Equity, July. <http://rootsforequity.org/wp-content/uploads/2023/09/In-a-nutshell-July-2023-2.pdf>

37 oots for Equity. 2023. "In a Nutshell." Roots for Equity, August. <http://rootsforequity.org/wp-content/uploads/2023/09/Issue-II-August-23-In-a-Nutshell-1.pdf>

38 The Express Tribune. 2025. "CCI overturns canal project approval amid Sindh's strong opposition." Express Tribune, April 28. <https://tribune.com.pk/story/2542823/ci-overtuns-canal-project-approval-amid-sindhs-strong-opposition#:~:text=The%20CCI%20agreed%20to%20withdraw,of%20petrol%20and%20food%20supplies>.

39 IISD. 2021. "Pakistan terminates 23 BITs." Investment Treaty News, October 7. <https://www.iisd.org/itn/en/2021/10/07/pakistan-terminates-23-bits/#:~:text=Pakistan%20is%20currently%20facing%2010,a%20claim%20against%20the%20state>.

40 Bilaterals.org. 2024. "Pakistan agrees to new ISDS provisions, despite previous policy to terminate ISDS agreements." AFTINET, January 23. <https://www.bilaterals.org/?pakistan-agrees-to-new-isds&lang=es>

The reversals in favour of ISDS provisions, and then the capitulation to form SIFC for attracting foreign investors, are indicative of the kind of elite dynamics that favour monopoly capitalist interests, at the expense of the will of the people and rather generates more political tensions. The Pakistani state has openly put Balochistan on the market – from its gold and copper mines to the Gwadar Port located in the same province. This context has escalated civil unrest. People’s rights movements as well as liberation movements in the area face state military and para-military forces. The civil war also has also added to the tensions with Indian state actors.<sup>41</sup>

## ***Increased poverty and hunger: Impacts on daily lives of workers and peasants***

The conditionalities imposed by the IMF and with cooperation of the ruling elite have had severe impacts on the working class and peasantry. Wheat flour prices saw a staggering rise of 81.29% while rice prices experienced a rise of 64.7%.<sup>42</sup> In 2024, the poverty rate in Pakistan stood at 25.3%, showing an increase of seven percentage points compared to 2023, with about 13 million additional people falling into poverty. Though the inflation rates seem to have been brought under control, it does not translate to a decrease in poverty rates. According to the World Bank’s Poverty and Equity Brief, the poverty rate in Pakistan is estimated to stand at 42.4%. Approximately 1.9 additional people are facing poverty.<sup>43</sup>

Under the IMF conditionalities, the government has removed support price on wheat; while the wheat prices in the market were low at harvest time, over time it increased by double. This measure has been devastating for small and landless farmers who still have to pay off their loans incurred for buying expensive agriculture inputs such as fertilisers, pesticides, and harvesting costs.

While inflation of food prices has been sky-high, food exports have increased every year. In July–November 2023–24, total food exports were recorded at USD 2.64 billion as compared to USD 1.92 billion in the same period last year. The rice exports surged by 49.37% while fruit exports rose year-on-year 15.27%, leguminous vegetables 79.0%. In the first nine months of the 2025 fiscal year, Pakistan’s raw food exports rose 1.62% to USD 5.75 billion compared to USD 4.66 billion a year ago.<sup>44</sup> Other abysmal policies include the imposition of a 18% sales tax on essential medical devices and diagnostic equipment that is exacerbating cost of medical care for patients.

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41 The Express Tribune. 2025. "Indian spy sentenced to 20 years in Pakistan." November 6. <https://tribune.com.pk/story/2564217/indian-spy-sentenced-to-20-years-in-pakistan>

42 Roots for Equity. 2023. "In a Nutshell." October. [https://rootsforequity.org/?page\\_id=1493](https://rootsforequity.org/?page_id=1493)

43 Tahir Ali. 2025. "Pakistan's poverty rate to stand at 42.2%: World Bank." Business Recorder, April 23. <https://www.brecorder.com/news/40359069#:~:text=ISLAMABAD:%20The%20poverty%20rate%20in,subsequent%20progress%20on%20poverty%20reduction.>

44 Mubarak Zeb Khan. 2025. "Food exports jump to \$5.57bn in July–March." DAWN, April 20. <https://www.dawn.com/news/1905373>

While national elites and IFI pressure have carried out policies that have increased inflation, decreased national production and increased food exports, rural communities and working classes have been suffering from hunger and malnutrition.

Across the country, women are reporting a decreasing quantity of cooked meals, while at the same time providing for their households while they themselves only eat roti (flatbread) with chutney or condiments. In research carried out by Roots for Equity with domestic workers in Karachi, women were walking long distances to their work to save transport costs. Even with rising cost of living, their wages were kept the same and they could not negotiate an increase in salaries.

In another working class neighborhood in Sindh province, many factories had ceased operations, which followed job losses. Daily wage work was not available. A woman reported that her husband, a worker who had been working in a factory for nearly three decades, was still getting PKR 30,000 (USD 107), as salaries had been stagnant for the last few years, and was below the minimum wage set by the provincial government. She was forced to make samosas at home selling them in front of her home in the evening; what she earned was enough to look after her family's daily food expenses and small costs associated with her child. Her husband's earning was no more enough to pay the high utility bills and the house rent. Other women were also engaged in similar informal work such as supplying snacks in nearby schools.

Many women in the community who had not been working previously had now joined the work force, getting meagerly paid between PKR10,000 (USD 36) and PKR12,000 (USD 43) per month, for example, in work packaging medicines. The situation had started becoming difficult after the lockdown during the pandemic. In interviews, a woman remarked: "Before the lockdown, our lives were very different because there was no significant tax on gas and electricity bills, and we did not [have to] work."

The hardships of these women from IMF conditionalities are seen widely in society:<sup>45</sup> "Approximately 70% of women work in the informal economy without any social protection... Prices for basic food items and other household goods have risen, putting an additional strain on the poor, particularly women. For example, the price of wheat flour has risen by 39%, petrol by 79%, LPG cylinders for cooking and heating by 92%, and charcoal by 14-28%. This means that women spend more time gathering firewood and more money on home necessities."

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45 Bilquis Tahira. 2021. "New IMF-Pakistan agreement likely to have adverse impact on women." Bretton Woods Project, December 9. <https://www.brettonwoodsproject.org/2021/12/new-imf-pakistan-agreement-likely-to-have-adverse-impact-on-women/>

## ***Crisis generates resistance***

The continued rise in electricity, gas and water bills have led to country-wide strikes and protests among the people, including the business and trading community. There have been continuous strikes, protests and rallies across the country, as the working class as well as the peasantry have not been able to pay their utility bills resulting in their power supply being shut down by the authorities. Due to power cuts, people face the blistering heat during summers or heatwaves where temperatures have been exceeding 40°C. However, the caretaker government in 2022 clearly stated that under the IMF standby agreement, it had no fiscal space to provide relief to the people.<sup>46</sup>

High electricity rates also means that ice factories are unable to function due to low voltage electricity, and that also is available only for a few hours. Fisherfolk are suffering as they are unable to keep their fish catch safe. Addressing a press conference at Gwadar Press Club, the representatives of the fishing sector protested that they owe extremely high electricity bills but are left with poor and negligible service. In addition, they also have to spend PKR 500,000 to 600,000 (USD 1,788 to 2,145) every month to purchase water.

Privatisation policies have resulted in outsourcing of hospitals and other health facilities and educational institutions. Young doctors protesting these measures have been met with police force and suppression, including threats of hiring doctors on daily wages. Workers' protests have also been on the rise with non-payment.

A national alliance of small and landless farmers, the Pakistan Kissan Mazdoor Tehreek (PKMT) has been protesting against the IMF and World Bank conditionalities in the aftermath of devastating floods in 2022. Rallies, protest actions and press conferences have been held in major cities of the country including in major rural towns against inflation, especially food inflation and energy bills. In this year, due to government restrictions protest actions were banned and only press conferences could be held.

On October 16, 2025 PKMT demanded for the protection of farmers livelihood, food and national sovereignty. Other issues raised were reinforcement of support price for wheat, controlling inflation, and development and implementation of pro-people agricultural and trade policies that were free from imperialist dictates. Their protests and press conferences were covered widely in different local newspapers and electronic media.<sup>47</sup>

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<sup>46</sup> Roots for Equity. 2023. "In a Nutshell: monthly overview on political economy of agriculture." August. <https://rootsforequity.org/wp-content/uploads/2023/09/Issue-II-August-23-In-a-Nutshell-1.pdf>

<sup>47</sup> Daily Kawaish. 2025. "Khairpur khorak jay deyan taqrib: Kissan Tehreek para bhok ja almeed din banan jyo ailan." October 17; Daily Nawae Waqt, Multan. 2025. "Gundum ki imdadi qeemat na honae say ghazai adam tahafux yaqini hae: Kissan mazdoor tehree," October 17. Regional Times. "Matli farmers protest on World Food Day, call for fair crop prices." October 17, 2025

In the past two years, people across different walks of life have been protesting against the impacts of the IMF conditionalities. They have come on the streets, burning their energy bills which have been exceeding PKR 20,000 (USD 71). For a vast majority of the working class and even professionals, such a high cost of electricity is simply beyond their means. Similarly, in the past year traders across the country went on a strike, with all markets remaining closed, protesting against the imposition of taxes, high energy costs and inflation in general. Students, teachers, and others have been raising their voice against the draconian tax laws and inflation.

However, there is no doubt that these protests remain fragmented and there is further need to channel the protests to a direction that would allow for stopping the implementation of conditionalities dictated by the IMF. The anger and frustration of the people is ripe ground for a people's movement that could block further plunder and extraction of resources, livelihoods and sovereignty.

# ***Austerity in the global South: Zambia***

ActionAid Zambia



## ***Introduction, objectives, and methodology***

This study examines the ways in which austerity measures have influenced Zambia's economic, political, and social landscape in recent years. By analysing the interactions between international financial institutions, the Zambian government, and social movements, the research investigates how austerity has been justified, implemented, and experienced at various levels of society. Zambia's external public debt, which rose from USD 5.2 billion in 2011 to USD 29.53 billion by 2020,<sup>1</sup> created fiscal pressures that contributed to the adoption of austerity reforms. During the same period, social sector spending particularly in health and education declined in real terms – falling below the targets of the Abuja Declaration<sup>2</sup> and the Incheon Declaration<sup>3</sup> respectively. These international benchmarks outline the minimum investment needed to achieve sustainable development and uphold human rights. Drawing on secondary literature, statistical data, and insights from affected communities, the study seeks to illuminate the lived realities of austerity in Zambia and contribute to ongoing debates on equitable, gender-responsive economic policy alternatives.

The study aims to critically analyse the context, drivers, and impacts of IMF-imposed austerity in Zambia, and to assess how these measures affect socio-economic and gender outcomes while identifying alternative responses emerging from Zambian society. To achieve this objective, it will also aim to:

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1 World Bank. External debt stocks, total (DOD, current US\$) – Zambia | Data. <https://data.worldbank.org/indicator/DT.DOD.DECT.CD?locations=ZM>

2 Commitment by African Union (AU) member states to allocate at least 15% of their annual budgets to the health sector, specifically to tackle HIV/AIDS, tuberculosis, and other infectious diseases. <https://au.int/sites/default/files/pages/32894-file-2001-abuja-declaration.pdf>

3 UN member state countries committed to allocate at least 4–6% of their Gross Domestic Product (GDP) or at least 15–20% of total public expenditure to education. <https://unesdoc.unesco.org/ark:/48223/pf0000233137>

1. Analyse Zambia's current economic and political context that has shaped the adoption of IMF-supported austerity measures.
2. Examine the key IMF loan conditions and policy advice prescribing austerity in Zambia, including the international dynamics and historical relationships that influence these measures.
3. Assess the socio-economic and gendered impacts of austerity on working people, essential public services, and vulnerable groups in Zambia.
4. Document and analyse the responses of Zambian civil society, trade unions, social movements, and communities to austerity, including the alternatives and demands they have put forward.

This study employs a mixed-methods approach, combining both qualitative and quantitative techniques. It draws on a wide range of secondary data, including prior academic studies, policy analyses, IMF documents, statistical reports, and relevant news articles. This is complemented with primary data, gathered through key informant interviews, focus group discussions, a perception survey, and original statistical analysis undertaken by the authors. The mixed-method design allows for a comprehensive understanding of the political economy of austerity, capturing both macro-level policy dynamics and the lived experiences of affected populations.

## ***Contextual Overview: National context***

In the last decade, Zambia's economy has experienced significant hurdles including high public debt (a debt-to-GDP ratio over 100 percent by 2020)<sup>4</sup> and the COVID-19 induced recession. The COVID-19 pandemic crippled the economy, limiting growth prospects as the Zambian economy contracted by 2.8 percent in 2020.<sup>5</sup> The severity of this public health crisis can also be seen in Zambia's debt obligation default after missing a USD 42.5 million coupon payment on its 2024 Eurobond<sup>6</sup> — making it the first African country to default on its debt during the COVID-19 pandemic. This situation has had significant implications on the fiscal space with the government struggling to balance between social sector investments and debt repayments as shown in the figure below.

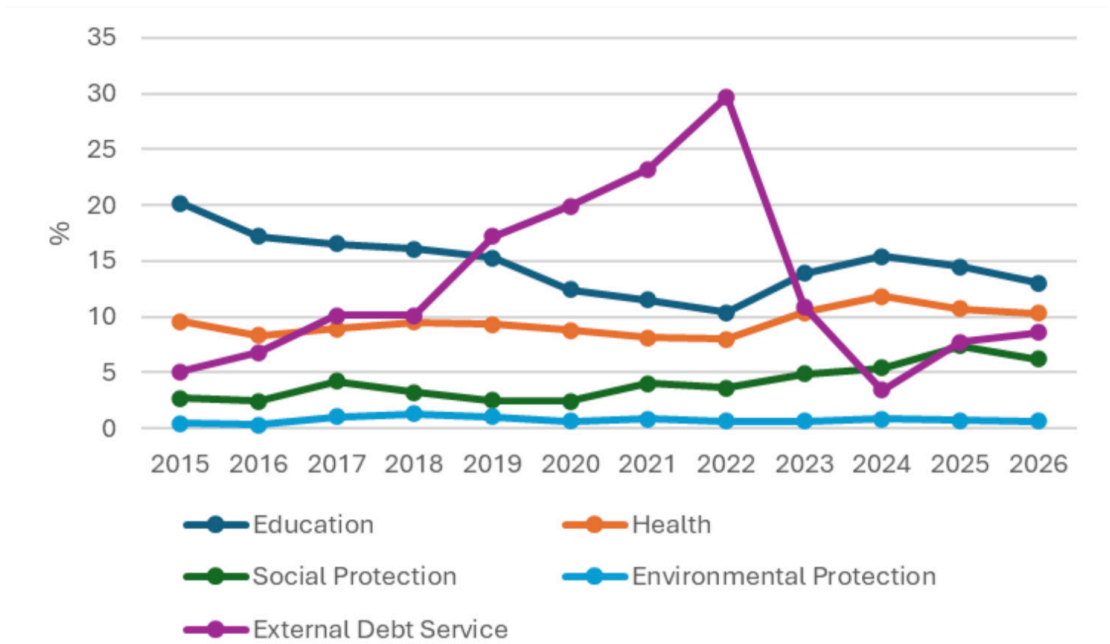
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<sup>4</sup> World Bank. Central government debt, total (% of GDP) - Zambia. <https://data.worldbank.org/indicator/GC.DOD.TOTL.GD.ZS?locations=ZM>

<sup>5</sup> Ministry of Finance and National Planning. 2022. 2021 Annual Economic Report. <https://www.mofnp.gov.zm/?wpdm-pro=2021-annual-economic-report>

<sup>6</sup> "Zambia to default on foreign debt, finance minister says." 2020. Al Jazeera, November 13. <https://www.aljazeera.com/economy/2020/11/13/zambia-will-not-pay-overdue-eurobond-coupon-finance-minster-says>

**Figure 1:** Trends in Social Sector, Environmental Protection Spending and External Debt Service as a share of the National Budget (2015–2026)



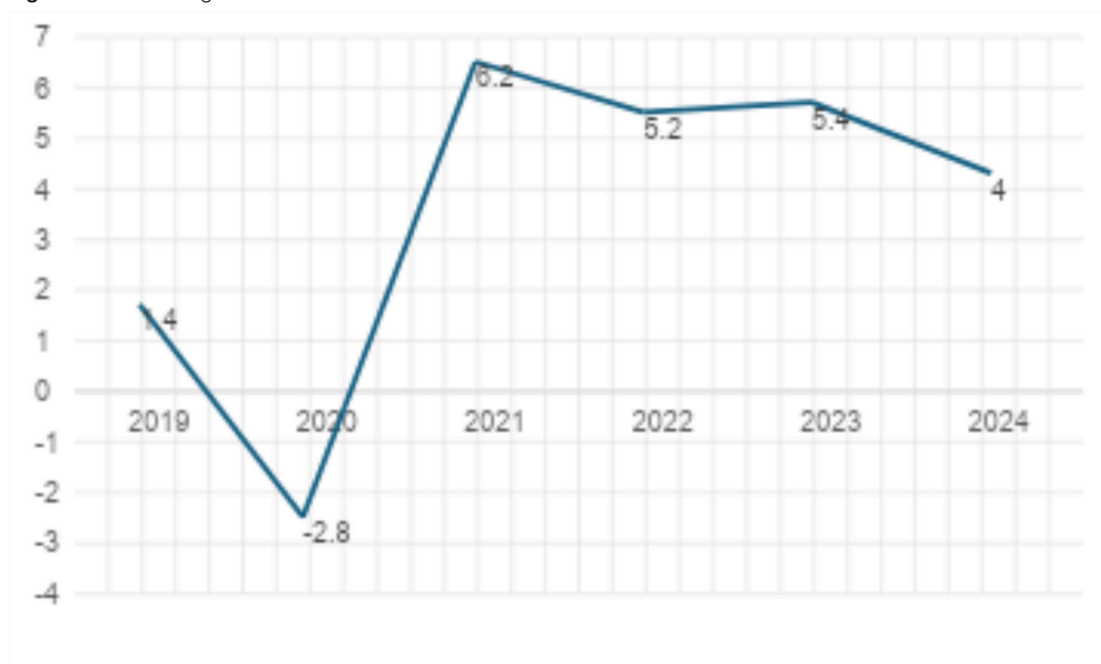
Source: ActionAid, 2026<sup>7</sup>

As indicated in the graph, Zambia dedicated significant public revenue to external debt service. This exceeded social sector and climate adaptation related spending between 2019 and 2023 highlighting limited fiscal space for investment into human development.

To further demonstrate the impact of the aforementioned crises on the Zambian economy, the figure below is the trend of real Gross Domestic Product (GDP) growth between 2019 and 2024.

<sup>7</sup> ActionAid Zambia. 2026. "Zambia's resource curse: What the numbers say." <https://zambia.actionaid.org/publications/2026/zambias-resource-curse-what-numbers-say>

**Figure 2:** Real GDP growth % (2019-2024)



Source: Ministry of Finance Annual Economic Reports (2019-2024) <sup>8</sup>

The figure highlights Zambia's economic trajectory with the average growth rate in this period amounting to a mere 3.2 percent. This is not enough to absorb the growing labour pool, lower the rising costs of living and improve people's welfare. While an indication of recovery, attributable to copper prices surges that increased mining export revenue,<sup>9</sup> is seen after the pandemic-driven recession, challenges remain strong. In fact, in the year 2024, the International Monetary Fund (IMF) downgraded Zambia's growth prospects due to a severe drought that significantly limited energy generation<sup>10</sup> capacity for Zambia – growth rates projections were dropped to 1.2 percent from 2.3 percent.<sup>11</sup> For the years 2025 and 2026, the IMF make projections of 5.2 percent and 5.8 percent respectively – backed by record maize harvest and mineral production.<sup>12</sup>

It is important to also note that the impacts of the El Niño drought (declared a national disaster in 2024) extended beyond immediate water shortages, severely affecting

<sup>8</sup> Ministry of Finance and National Planning. "Annual Economic Reports 2019-2024." [https://www.mofnp.gov.zm/?page\\_id=3285](https://www.mofnp.gov.zm/?page_id=3285)

<sup>9</sup> Miller, Randy. 2022. "What is Going On with the Record-High Scrap Copper Prices?" <https://millerrecycling.com/what-going-on-record-high-scrap-copper-prices/>

<sup>10</sup> Ministry of Energy. "Press Statement on the Electricity Situation in Zambia." <https://www.moe.gov.zm/wp-content/uploads/2024/06/PRESS-STATEMENT-ON-THE-ELECTRICITY-SITUATION-IN-ZAMBIA-AT-GOVERNMENT-COMPLEX-12.06.2024.pdf>

<sup>11</sup> IMF. 2024. "IMF Staff Completes Mission to Zambia." <https://www.imf.org/en/News/Articles/2024/10/16/pr24374-zambia-imf-staff-completes-mission>

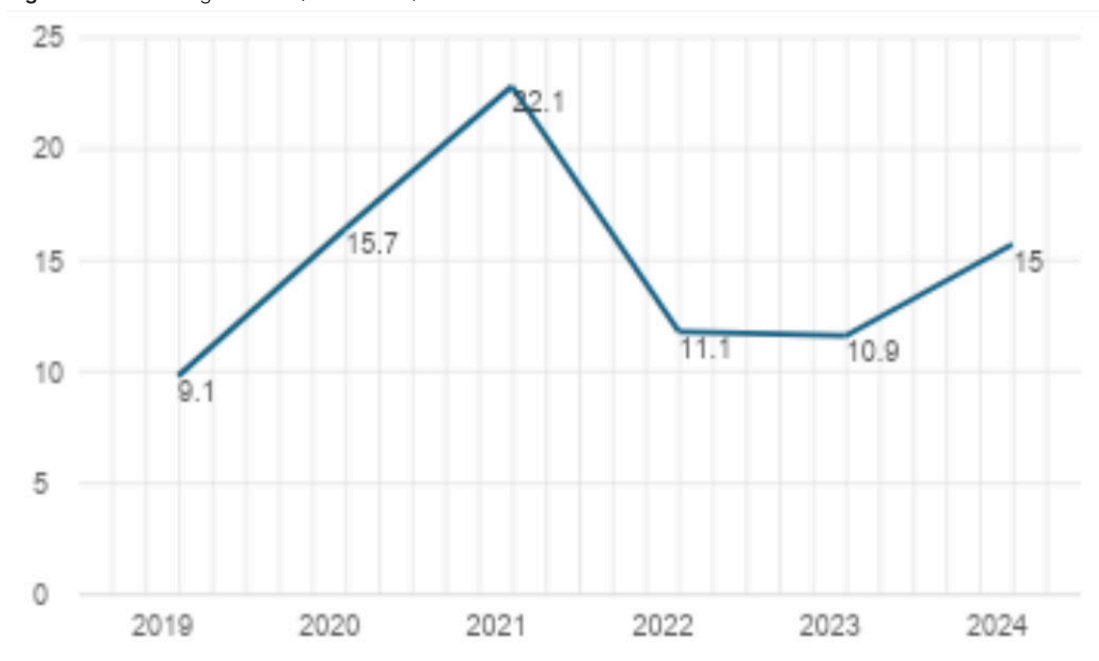
<sup>12</sup> MF. 2025. "IMF Staff Conclude visit on the Sixth Review of the Extended Credit Facility with Zambia." <https://www.imf.org/en/news/articles/2025/11/05/pr25357-zambia-imf-staff-conclude-visit-on-the-sixth-review-of-the-ecf>

agriculture, a key contributor to Zambia’s GDP and a major source of livelihoods. The resulting poor yields had intensified food insecurity and inflation, prompting the government to restrict maize and maize flour exports in an effort to safeguard domestic food supplies.<sup>13</sup>

The results of poor economic growth can also be seen as Zambia grapples with persistent high living costs and inflation. The cost of living for a family of five, as measured by the Jesuit Centre for Theological Reflection (JCTR) Basic Needs and Nutrition Basket (BNNB) increased to ZMW 10,834.61<sup>14</sup> (USD 429.60) by October 2025, compared to ZMW 8,268.72<sup>15</sup>(USD 327.86) in October 2021– a 31.03 percentage increase in that period.

On the other hand, inflation poses grave challenges for Zambia as indicated by the annual inflation rate for October 2025 which stood at 11.9 percent.<sup>16</sup> The figure below further illustrates the intricate nature of inflation in Zambia by showing the trend of the average annual inflation rate from 2019 to 2024.

**Figure 3:** Real GDP growth % (2019-2024)



Source: Annual Economic Reports (2019-2024)

<sup>13</sup> Food and Agriculture Organisation (FAO). 2024. “El Niño impact assessment highlights, July 2024.” <https://openknowledge.fao.org/server/api/core/bitstreams/33eb0849-1345-4587-9b9c-abda6fff1382/content>

<sup>14</sup> JCTR. 2025. “October 2025 Basic Needs and Nutrition Basket Assessment.” <https://jctr.org.zm/en/october-2025-basic-needs-and-nutrition-basket-statement/>

<sup>15</sup> JCTR. 2021. “November 2021 Basic Needs and Nutrition Basket Assessment.”

<sup>16</sup> Zambia Statistics Agency. “Annual Inflation Rate for October 2025 Slows Down.” [https://www.zamstats.gov.zm/annual\\_inflation\\_rate\\_for\\_october\\_2025\\_slows\\_down/](https://www.zamstats.gov.zm/annual_inflation_rate_for_october_2025_slows_down/)

The main observation is that while inflation has shown signs of improvement post 2021, it has largely remained elusive of the Bank of Zambia's 6-8 percent target rate.<sup>17</sup> This is an indication of persistent structural vulnerabilities in the economy. These vulnerabilities and more specifically, the fiscal crisis are what have provided the economic 'rationale' for IMF intervention, as the government sought to stabilise the macroeconomic environment, restore investor confidence, and restructure external debt.

Zambia's engagement with the IMF extends back to 1973, with 12 prior loan arrangements shaping the country's economic and social policies through conditionalities emphasizing fiscal discipline, structural reforms, and macroeconomic stabilisation. Critics argue that these programmes often constrained public spending and social investments, and promoted privatisation contributing to inequalities. The last IMF programme before 2022 ended in 2011, after which expansionary fiscal policies were hinged on greater borrowing, setting the stage for the post-pandemic debt crisis and renewed IMF engagement.<sup>18</sup>

The IMF's policy framework in Zambia has placed strong emphasis on attracting foreign direct investment (FDI) as a cornerstone of its stabilization and growth strategy, particularly in the extractive sector. This push aligns with recent large-scale mining investments that are reshaping Zambia's economic trajectory, most notably the \$150 million Mingomba copper-cobalt mine being developed by KoBold Metals, a firm backed by Jeff Bezos and Bill Gates.<sup>19</sup> By encouraging such overseas capital inflows, the IMF supports a government narrative of "open for business," but critics argue this model risks perpetuating dependency on external actors, limiting state control over strategic resources, and reinforcing inequalities.

Politically, Zambia's austerity path was strongly<sup>20</sup> shaped by the transition of power from the Patriotic Front (PF) to the United Party for National Development (UPND) in 2021. The PF government (2011–2021) was criticised for excessive borrowing, opaque deals,<sup>21</sup> and heavy public spending, especially on infrastructure.<sup>22</sup> Upon assuming power, current President Hakainde Hichilema pledged to restore fiscal discipline and re-engage with

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17 Bank of Zambia. 2021. "Monetary Policy Statement." [https://www.boz.zm/mpcstatement\\_sept\\_2021.pdf](https://www.boz.zm/mpcstatement_sept_2021.pdf)

18 ActionAid Zambia. 2023. "Analysis of Zambia's IMF Programme and Fiscal Austerity Impacts on National Government Policy and Commitments to Free Education." <https://zambia.actionaid.org/sites/zambia/files/publications/Analysis%20of%20Zambia%E2%80%99s%20IMF%20Programme%20and%20Fiscal%20Austerity%20Impacts-%20ACTIONAID%20ZAMBIA%20%281%29.pdf>

19 Lusaka Times. 2023. "Company backed by Bill Gates and Jeff Bezos Aims to Start Copper and Cobalt Production in Zambia Within a Decade." Lusaka Times, September 27. <https://www.lusakatimes.com/2023/09/27/company-backed-by-bill-gates-and-jeff-bezos-aims-to-start-copper-and-cobalt-production-in-zambia-within-a-decade/>

20 It must be noted that the Patriotic Front (PF) government formally requested a financing arrangement with the International Monetary Fund (IMF) to support their reform efforts. However, no agreement was met.

21 Daily Revelation News. 2022. "Huge debt under PF could have been lower with more public scrutiny, acknowledges Kang'ombe...despite defending infrastructure spending." <https://dailyrevelationzambia.com/huge-debt-under-pf-could-have-been-lower-with-more-public-scrutiny-acknowledges-kangombe-despite-defending-infrastructure-spending/>

22 Diggers News. 2025. "PF claims to have invested in infrastructure, but we inherited incomplete projects – Milupi." March 21. <https://diggers.news/local/2025/03/21/pf-claims-to-have-invested-in-infrastructure-but-we-inherited-incomplete-projects-milupi/>

international lenders. Based on this rationale, the new administration secured a USD 1.3 billion<sup>23</sup> IMF Extended Credit Facility (ECF) in 2022, an amount later increased to USD 1.7 billion.<sup>24</sup> The government justified austerity measures—such as removal of subsidies on fuel and electricity necessary for economic recovery.<sup>25</sup>

This national context has therefore provided justification (at least from the IMF and government’s perspective) for the imposition of austerity in Zambia.

## ***The African Context***

At continental level the majority of countries continue to grapple with unsustainable debt that undermines human rights. A 2024 study revealed that of the 52 African Union (AU) countries studies, 73 percent were classified as in debt distress or at significant risk of debt distress (high or moderate risk).<sup>26</sup>

In addition to widespread debt, the IMF has persistently pushed governments to cut or freeze public sector wage bills, even in sectors like health and education where shortages of teachers, nurses, and other frontline workers are acute.<sup>27</sup>

These constraints force hiring freezes, wage stagnation, and in some cases the dismissal of essential workers, disproportionately affecting women, as they make up the bulk of frontline public sector staff.

Progressive taxation remains the most sustainable alternative for Africa. However, rather than advocating for bold, structural solutions in taxation or collective debt restructuring, the IMF and other international financial institutions such as the OECD, continues to emphasize austerity, debt repayment, and profit-centred solutions that benefit multinationals.

As such, Africa faces a persistent and significant drain on its public resources due to illicit financial flows (IFFs), losses that severely reduce governments’ capacity to invest in public services and development. According to the UN Economic Commission for Africa (UNECA), Zambia loses the equivalent of 15 percent of GDP to tax expenditure, which could include exemptions and lower rates on capital gains. These

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23 IMF. 2022. "IMF Executive Board Approves New Extended Credit Facility (ECF) Arrangement for Zambia." <https://www.imf.org/en/news/articles/2022/08/31/pr22297-imf-executive-board-approves-new-extended-credit-facility-arrangement-for-zambia>

24 IMF. 2024. "Zambia: IMF Executive Board Completes Third Review Under the Extended Credit Facility and Approves Augmentation of the Arrangement." <https://www.imf.org/en/news/articles/2024/06/26/pr-24242-zambia-imf-completes-3rd-review-under-ecf-and-approves-augmentation>

25 National Assembly of Zambia. 2021. "Tuesday, 7th December, 2021." <https://www.parliament.gov.zm/node/10110?>

26 ActionAid. 2024. "Transforming Education Financing in Africa." [https://actionaid.org/sites/default/files/publications/Transforming\\_Education\\_Financing\\_in\\_Africa\\_report.pdf](https://actionaid.org/sites/default/files/publications/Transforming_Education_Financing_in_Africa_report.pdf)

27 ActionAid. 2023. "Fifty Years of Failure: The IMF, Debt and Austerity in Africa." <https://actionaid.org/sites/default/files/publications/Fifty%20Years%20of%20Failure%20Full%20Report.pdf>

forgone revenues amount to the equivalent of 76 percent of tax revenues, or more than four times the amount allocated to education at the time of the study.<sup>28</sup>

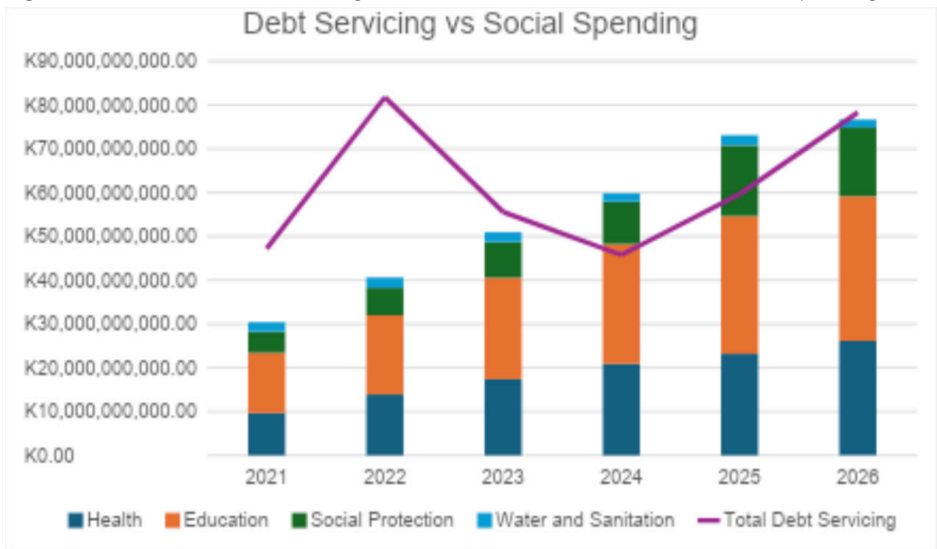
## Economic, social, and gendered impacts

### Debt

Zambia's debt situation and subsequent fiscal consolidation under the IMF's ECF and restructuring under the G20 Common Framework has had far reaching effects on all sectors of the economy. However, the restructuring process has been widely accepted as a necessary step to economic recovery following the default of 2020. The case study perception survey identified the "debt crisis" as the main factor for Zambia's tight fiscal space and austerity actions.

Recent reports have celebrated the debt restructuring process reaching 94 percent completion after years of negotiations with the diverse creditor portfolio. In reality, the actualisation of restructuring in formalised bilateral agreements stood at only 57 percent as of October 2025.<sup>29</sup> With just over half of the debt restructured, the process is projected to paradoxically result in higher debt servicing costs than before Zambia defaulted in 2020.

Figure 4: Annual Total debt servicing (External, Domestic, and arrears) vs Social Spending 2021 - 2026



Source: Annual Budget Speeches (2021-2026) Ministry of Finance and National Planning

28 UNECA.2023. "Economic Governance Report II: A Framework for Assessing and Reporting Tax Expenditures in Africa." pg. 61 <https://repository.uneca.org/server/api/core/bitstreams/8ed343c4-c9a6-4b2c-8d20-d86028bc7731/content>  
 29 Mwebantu. 2025. "94 percent of Zambia's eligible debt restructured says Dr Musokotwane." October 27. <https://www.mwebantu.com/94-percent-of-zambias-eligible-debt-restructured-says-dr-musokotwane/>

As a result of the debt restructuring under the G20 Common Framework, the government continues to increase their debt servicing costs in 2026 and beyond, social sector spending on health, education, water and sanitation, and social protection reduces. The graph above shows that the total debt servicing already outpaces spending on these critical sectors that have historically been underfunded – hampering the achievement of developmental goals.

## **Poverty and Inequality**

In this period of renewed austerity Zambia has recorded increased poverty and inequality. In 2022, 64.3 percent of the population – about 12.6 million individuals – was living on less than USD 2.15 a day. The Gini index stood at 51.5 – significantly above the World Bank’s newly adopted high-inequality threshold of 40. Globally, these statistics place Zambia as both the 6th most unequal country with the 6th highest poverty levels.<sup>30</sup>

### **Case Study: Community experience - Eastern Province**

In a rural community in Eastern Province, the experiences of one Parent Teacher Committee (PTC) member illustrates how fiscal austerity is shaping the daily realities of foundational learning. As both a community representative and a parent of two children enrolled at a local primary school, she has witnessed first hand the widening gap between policy intentions and the experiences of rural households.

Overcrowding has become one of the most visible symptoms of constrained education financing. Classrooms designed for 25-30 pupils now routinely host more than 60 learners pointing to limited teacher-learner interaction and weakening early learning outcomes. Although national teacher recruitment drives have taken place in recent years, statistics show that the enrolment rate does not match the recruitment rates. Rural schools continue to receive too few teachers due to inequitable distribution and high attrition<sup>31</sup> linked to workload and difficult conditions. As a result, existing teachers often handle multigrade teaching and double classes.

For families in the area, rising living costs have compounded the effects of austerity. Inflation has sharply eroded household purchasing power, making school requirements such as uniforms, shoes, books and transport increasingly unaffordable. Many low income households, dependent on small-scale farming, struggle to keep their children in school consistently.

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<sup>30</sup> World Bank. 2025. "Zambia Poverty and Equity Assessment 2025: Turning Things Around After a Lost Decade."

<sup>31</sup> Ministry of Education. 2024. "Education Statistics Bulletin." <https://www.edu.gov.zm/wp-content/uploads/2024/12/Education-Statistics-Bulletin-2024.pdf>

Although the Education for All policy has expanded national enrolment<sup>32</sup> (over 2.3 million children returned to school in 2022) it has also intensified pressure on already inadequate services, especially in rural special schools lacking adapted infrastructure and learning materials.<sup>33</sup> For many parents, the return of children in schools should have been matched with investment.

Girls in the community face additional barriers. Inadequate Water Sanitation and Hygiene (WASH) facilities and limited availability of sanitary pads contribute to menstrual-related absenteeism. Families under economic strain increasingly view early marriage as a coping mechanism, further reducing girls' chances of completing secondary education. At household level, the unpaid care burden carried by women such as collecting water, supporting sick relatives, and sustaining livelihoods limits the support they can provide to their daughters' learning.

While the government's Constituency Development Fund (CDF) allocations have helped provide desks, minor rehabilitations, additional classrooms and coupled with the school feeding program, these measures are insufficient to address systemic staffing and material shortages. PTA members continue to mobilise communities and advocate for girls' education, yet they remain constrained by inadequate funding and structural barriers beyond local control.

*"Every year, we are told there will be improvements but in the classroom, all we see are more children, fewer teachers, and resources that finish before the term even starts. Our children are trying, but the system is failing them."* — PTA Member, Eastern Province

This experience is part of a broader national pattern: restricted fiscal space translated into high pupil-teacher ratios, shortages of learning materials, and overstretched infrastructure conditions that disproportionately affect rural households, girls, and children with disabilities. This highlights the urgent need to expand education financing, prioritise rural teacher deployment and retention and ensure gender and disability responsive provision at foundational learning levels.

## **Gendered Impacts**

Gender inequalities in Zambia are systemic, nuanced, and embedded in cultural norms. To address them we require much more than reactionary programs that target symptoms rather than the root cause. In 2022 the IMF released their Strategy Towards

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<sup>32</sup> Africa Press. 2023. "Over 2.3 Million Children Return to School under Free Education Policy - Zambia." October 6. <https://www.africa-press.net/zambia/all-news/over-2-3-million-children-return-to-school-under-free-education-policy>

<sup>33</sup> UNICEF. "In Zambia, we support the provision of quality education." <https://www.unicef.org/zambia/education>

Mainstreaming Gender recognising that reducing gender disparities goes hand-in-hand with higher economic growth, greater economic stability and resilience, and lower income inequality.<sup>34</sup> The strategy has since been criticised by women’s rights movements and organisations for not being transformative. ActionAid argues that the IMF’s Gender Mainstreaming Strategy amounts to “pink-washing,” because it fails to address how the Fund’s core austerity policies actively exacerbate gender inequality. Rather than confronting the root causes – such as public sector wage bill constraints and deep cuts to essential services – the strategy focuses on superficial fixes after the harm is already done.<sup>35</sup>

Additionally, the IMF still promotes austerity measures that weaken health, education, and care systems, disproportionately affecting women and increasing their unpaid care burden. In Zambia, for instance, fiscal consolidation under the ECF has included strict wage-bill controls and reduced spending flexibility, limiting the government’s ability to expand social-sector investments.<sup>36</sup> Although the IMF advice to Zambia does include a social spending floor (a commitment to preserve or scale up spending on social protection, health, and education) ActionAid argues that this is insufficient and poorly enforced in practice, especially given the broader pressures of consolidation and debt outlined above.

### *Austerity from the point-of-view of a women's rights organisation*

“Rising fuel and transport costs, due to IMF austerity measures, have increased production expenses, reduced customer spending, and squeezed already fragile livelihoods, undermining women’s economic resilience. These pressures are compounded by Zambia’s ongoing energy crisis: while austerity measures are not the direct cause of power shortages, constrained fiscal space has limited the government’s ability to respond robustly through emergency investments or mitigation measures, while cost-reflective electricity tariffs have increased operating costs for small women-led businesses such as salons, barbershops, and small restaurants.”

“When taken together, these intersecting dynamics reveal austerity not as a neutral economic adjustment, but as a feminist issue that systematically transfers the costs of economic crisis onto women’s unpaid labor, informal livelihoods, bodily safety, and survival, deepening structural inequalities faced by women, girls, and other marginalised groups in Zambia.”- Tendai Miti, Executive Director, Sistah Sistah Foundation.

34 IMF. 2022. “IMF Strategy Toward Mainstreaming Gender.” <https://www.imf.org/en/publications/policy-papers/issues/2022/07/28/imf-strategy-toward-mainstreaming-gender-521344>

35 ActionAid. 2022. “The Care Contradiction: The IMF, Gender and Austerity.” <https://actionaid.org/sites/default/files/publications/The%20Care%20Contradiction%20-%20The%20IMF%20Gender%20and%20Austerity.pdf>

36 Wemos. 2024. “The Cost of Austerity: The toll of IMF conditionalities on access to health in Zambia.” [https://www.wemos.org/wp-content/uploads/2024/11/Report-IMF-in-Zambia\\_The-cost-of-austerity\\_October-2024.pdf](https://www.wemos.org/wp-content/uploads/2024/11/Report-IMF-in-Zambia_The-cost-of-austerity_October-2024.pdf)

## ***Conclusion and recommendations***

A survey conducted by ActionAid Zambia shows that respondents view austerity as part of the problem. Survey findings show that most respondents view the IMF-supported fiscal consolidation path as intensifying economic hardship, particularly for women and low-income households. Participants consistently proposed reducing corruption and eliminating wasteful expenditures (45% of respondents) as the most viable alternative to austerity. Many respondents emphasised that instead of cutting essential services, the government should “reduce corruption” and curb “unnecessary spending,” reflecting the belief that mismanagement, rather than lack of resources is driving fiscal pressure. Evidence shows that when state services weaken due to leakage and cuts, women absorb the burden through increased unpaid care and reduced access to healthcare, childcare, and other essential services.

The same survey also shows a view of fairer taxation and gender responsive public spending as alternatives. From the survey, 32 percent of respondents identified “inflation” as a major economic challenge while 32 percent identified “unemployment” which is directly linked to growing inequality and poverty. Respondents also strongly favoured progressive taxation and increased investment in productive and social sectors as alternatives. Calls for “progressive taxation of high-income groups” and more support to “productive sectors” appeared repeatedly in the data. These proposals shift revenue generation away from regressive consumption taxes which disproportionately affect women, and towards taxing wealth, multinational corporations, and luxury spending.

The above survey and the general analysis of this study also proposes the following recommendations:

### **Review the tax incentives policy:**

Zambia is presently forgoing over USD 384 million<sup>37</sup> in tax expenditure. For a country undergoing a debt crisis, augmenting revenue must be a priority. Empirical evidence points to tax incentives not being a major influence for investor destination choice. Results from a 2019 World Bank Enterprise Survey ranked access to finance, electricity, informality, and corruption higher than tax rates as key constraints in the business environment.<sup>38</sup> Similarly in an Investor Motivation Survey for the East African Community, 93% of investors said that they would have invested anyway, had tax incentives not been on offer; tax incentives ranked 17th, behind a host of factors including exchange rates, utility and

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<sup>37</sup> Ministry of Finance and National Planning. 2023. “Tax Expenditure Report.” <https://www.mofnp.gov.zm/?p=8038>

<sup>38</sup> World Bank. 2019. “Enterprise Surveys: Zambia 2019, Country Profile.” <https://www.enterprisesurveys.org/content/dam/enterprisesurveys/documents/country/Zambia-2019.pdf>

transport infrastructure, and the other benefits of free zones.<sup>39</sup> Based on this, it is clear that the Zambian government can explore alternative innovative measures to attract investment inflows and promote the needed fiscal relief. While foreign direct investment can play a role for economic growth, it must be done responsibly and not at the expense of local livelihoods.

### **Address Illicit Financial Flows:**

The Financial Intelligence Centre reports that Zambia lost about USD 3.5 billion in illicit financial flows (IFFs).<sup>40</sup> This is twice more than the USD 1.7 billion IMF extended credit facility to Zambia – implying that Zambia tightening its internal controls can potentially strengthen domestic resource mobilisation and stop external debt expansion. Increasing beneficial ownership transparency especially in the extractives sector is critical in preventing revenue leaks. Continued technical and financial support for the tax administration remains vital in upscaling response to sophisticated organised financial crime. In addition, creating fairer international cooperation especially with the global North, such as ensuring effective country-by-country reporting or fairer global norms, remains vital in combating illicit revenue outflows.

### **Make debt an electoral campaign issue:**

2026 being an election year presents an opportunity for civil society, women's rights organisations, youth groups and the public to demand debt resolution as a key campaign message. Civil society must play a crucial role in building the agency of affected demographics to demand for concrete strategies from political candidates in dealing with the debt crisis. Civil society must support platforms for debate to capture the commitments of aspiring civic leaders.

### **Call for the UN Debt Convention:**

Civil society across the world have been campaigning for a United Nations convention on debt.<sup>41</sup> The current international financial architecture is seen as unfair. ActionAid points to issues such as the excessive interest rates charged on loans to developing nations and the conditions attached to loans from institutions like the IMF, which can undermine spending on essential services.<sup>42</sup> This convention would level the playing field for the contraction, utilisation, and servicing of debt for all countries — eliminating unfair interest rates, exposing opaque conditions, and promoting human rights through public services.

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<sup>39</sup> ActionAid. 2013. "Give us a break: How big companies are getting tax-free deals." [https://actionaid.org/sites/default/files/give\\_us\\_a\\_break\\_-\\_how\\_big\\_companies\\_are\\_getting\\_tax-free\\_deals\\_21\\_aug.pdf](https://actionaid.org/sites/default/files/give_us_a_break_-_how_big_companies_are_getting_tax-free_deals_21_aug.pdf)

<sup>40</sup> Financial Intelligence Centre. "The 10th Money Laundering and Terrorism Financing Trends Report 2024." <https://www.fic.gov.zm/component/attachments/download/155>

<sup>41</sup> Civil Society FFD Mechanism. 2024. "Inputs to FfD4 Elements Paper." <https://csoforffd.org/resources/civil-society-ffd-mechanism-submission-to-ffd4-elements-paper/>

<sup>42</sup> ActionAid. 2025. "Who Owes Who?" <https://actionaid.org/publications/2025/who-owes-who>

### **Debt cancellation as an alternative to austerity:**

Collective action on debt – particularly as developing countries — is required to build consensus for the cancellation of unfair and unsustainable debt. 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. In turn, social spending should increase at the national level to address the needs of the people.

### **Transformative action on gender:**

Adopt a transformative gender approach beyond the Zambian government's Gender Division<sup>43</sup> and targeted interventions. Instead economic and social policies can be restructured to redistribute power, resources, and unpaid care work. This includes investing substantially in public services, enforcing gender-responsive budgeting, expanding decent work opportunities for women, and ensuring women's rights organisations and grassroots movements are central to decision-making at all stages of policy design, implementation, and monitoring.

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<sup>43</sup> Gender Division. Overview. <https://www.gender.gov.zm/>

## ***Abbreviations***

<b>AU</b>	African Union
<b>BNNB</b>	Basic Needs and Nutrition Basket
<b>ECF</b>	Extended Credit Facility
<b>FDI</b>	Foreign Direct Investment
<b>FfD</b>	Financing for Development
<b>GDP</b>	Gross Domestic Product
<b>IMF</b>	International Monetary Fund
<b>JCTR</b>	Jesuit Centre for Theological Reflection
<b>MoFNP</b>	Ministry of Finance and National Planning
<b>MoH</b>	Ministry of Health
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>UNECA</b>	United Nations Economic Commission for Africa
<b>UN</b>	United Nations
<b>USD</b>	United States Dollar
<b>ZMW</b>	Zambian Kwacha



**END AUSTERITY  
STOP IMPERIALIST  
PLUNDER AND WARS!**

**FIGHT FOR RIGHTS**

# **Authors and acknowledgements**

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*Pakistan and the IMF: Austerity amid decades of neocolonial bondage* was authored by Roots for Equity. Roots for Equity was formed in 1997 and formally registered in 2000. It works with the most vulnerable, marginalised communities that include small and landless farmers, women and religious minorities in the rural and urban sector. It believes that a democratic base is essential for the social and economic development of the country, through mobilisation of communities themselves — as no doubt only socially conscious and politically active communities can demand and achieve social justice. Roots remains committed to being an active part of communities' struggle to achieve political, social, environmental and economic justice to address social inequities caused by the oppressive and exploitative forces of feudalism, imperialist corporate hegemony (often termed as globalization), and patriarchy.

*Austerity in the global South: Zambia* was authored by Aquila Ng'onga and Ucizi Ngulube, and reviewed by Alimwi Lungu, Msonga Phiri, Michael Mwansa, and Bertha Kabengele whose combined efforts shaped the analysis and findings presented. The authors extend their sincere appreciation to Faides TembaTemba, Country Director at ActionAid Zambia, for her strategic guidance and oversight throughout the development of this study. The authors also acknowledge the valuable insights contributed by civil society representatives, researchers, and community members who generously shared their experiences and expertise. Their perspectives were essential in grounding this work in the lived realities of those most affected by austerity measures in Zambia.

IBON International also acknowledges the hard work of the people who made this book possible: Amy Padilla coordinated with the authors of the articles and wrote the synthesis. Fatima Sofia Gamper translated into English and edited the article on Argentina. Rex Cesora produced the layout and design of this publication. Agatha Canape oversaw the book production process in its crucial stages.



