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World Bank, AFDB, IMF Urged to Deepen Credit Economy and Support Africa to be Creditworthy and Credit-Ready

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Rethinking International Financial Institution (IFI) Conditionalities: From Austerity To Creditworthiness In Africa

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RETHINKING INTERNATIONAL FINANCIAL INSTITUTION (IFI) CONDITIONALITIES: FROM AUSTERITY TO CREDITWORTHINESS IN AFRICA

NICA'S POSITION PAPER

In reality, credit approval conditionalities of the **World Bank, IMF, and AfDB** are meant to ensure loans are repaid and used well. But when applied uniformly across very different African economies, some aspects can work against recovery and development in the short-medium term.

Here are the **key aspects that economists and African policymakers often flag as "unhealthy"** if not carefully calibrated:

1. Austerity & Fiscal Consolidation Conditionalities

What it is: Requirements to cut government spending, reduce subsidies, freeze public sector wages, raise taxes.

Why it hurts recovery:

❖ Cuts to health, education, and infrastructure spending reduce human capital and growth potential right when stimulus is needed.

❖ Removing fuel/electricity subsidies abruptly can trigger inflation and social unrest, undermining political stability needed for reform.

❖ Procyclical: It forces countries to tighten during a downturn, which deepens recession.

2. Currency Devaluation & Exchange Rate Liberalization

What it is: Condition to float the currency or do sharp devaluation to "correct misalignment".

Why it hurts:

❖ Makes imports of fuel, food, medicine, and machinery more expensive.
❖ Increases debt servicing costs because most African sovereign debt is in USD/Euro.
❖ Can wipe out the balance sheets of local businesses with dollar debts without a corresponding export boost if the country isn't export-diversified.

3. Privatization & State Enterprise Reform Timelines

What it is: Mandate to sell state-owned enterprises quickly: power, water, airlines, banks.

Why it hurts:

- Rushed privatization without strong regulatory institutions can lead to monopolies and higher consumer prices.
- Job losses in the short term without a social safety net.
- Strategic assets sold below value during crisis periods.

4. Monetary Tightening & High Interest Rate Floors

What it is: A condition to raise interest rates to fight inflation and stabilize currency.

Why it hurts:

- Makes credit for MSMEs and government prohibitively expensive, killing private sector growth.
- Government debt service balloons, crowding out capital expenditure.
- Conflicts with the need for cheap credit to drive industrialization.

5. One-Size-Fits-All Governance & Procurement Rules

What it is: Requirements for competitive bidding, anti-corruption units, civil service reform, and Personal Financial Management (PFM) reforms as loan triggers.

Why it hurts:

- Good in principle, but rigid timelines ignore institutional capacity gaps. Countries spend more time "complying" than "building".
- Can delay disbursement of funds needed for urgent recovery projects.

6. Debt Sustainability Metrics That Ignore Development Spending

What it is: Focus on debt-to-GDP and fiscal deficit targets without distinguishing "consumption debt" vs "productive infrastructure debt".

Why it hurts:

- Discourages borrowing for rail, power, digital infrastructure that would raise GDP and tax base long-term.
- Pushes countries toward grants/Official Development Assistance which are smaller and slower.

7. Lack of Creditworthiness Building Components

The Balanced View

These conditionalities aren't "bad" — they aim to prevent moral hazard and ensure repayment. The unhealthy part is when they are:

- **Procyclical** instead of countercyclical

- ❖ **Front-loaded** with no transition period
- ❖ **Devoid of capacity building** for creditworthiness determination and management

NICA is advocating for:

- ❖ **Growth-friendly conditionalities:** Link loans to credit infrastructure, not just cuts.
- ❖ **Countercyclical buffers:** Allow fiscal space during shocks.
- ❖ **Creditworthiness KPIs:** Measure progress by improvements in sovereign citizen credit scores, not just fiscal ratios.

For decades, Africa's engagement with the World Bank, IMF, and African Development Bank has been governed by credit approval conditionalities designed to ensure fiscal discipline and debt sustainability. While well-intentioned, many of these conditions have proven to be procyclical, socially disruptive, and developmentally counterproductive.

NICA's call for International Financial Institutions (IFIs) to "deepen the credit economy and make Africa credit-ready" is timely. Loans without credit systems is a debt traps. Loans with credit systems is development.

This paper argues for a paradigm shift: from austerity-based conditionalities to creditworthiness-based conditionalities that build the institutional infrastructure for Africa to become truly credit-ready.

1. The Current Paradigm and Its Unintended Consequences

The traditional International Financial Institution (IFI) conditionality framework rests on 7 pillars that often undermine recovery:

1. **Austerity & Fiscal Consolidation**: Mandated cuts in subsidies, wages, and social spending deepen recessions and erode human capital at the exact moment countercyclical investment is needed.
2. **Rapid Currency Devaluation:** While correcting misalignments, abrupt devaluations inflate import costs for food, fuel, and medicine, and balloon external debt service, negating fiscal gains.
3. **Hasty Privatization**: Forced divestiture of State-Owned Enterprises without regulatory maturity creates private monopolies, job losses, and public backlash, not efficiency.
4. **Monetary Tightening:** High interest rate floors combat inflation but choke MSME credit and make government borrowing unsustainable.

5. **Rigid Governance Benchmarks:** One-size-fits-all procurement and Public Financial Management reforms delay disbursements and ignore absorptive capacity.
6. **Narrow Debt Metrics:** Debt-to-GDP targets fail to distinguish between consumptive debt and productive infrastructure debt that expands future tax base.
7. **The Credit Infrastructure Gap:** Critically, no conditionality funds credit bureaus, collateral registries, or credit and financial literacy. Loans are given to African countries but not the system to use debt productively.

2. The Intellectual Case for a New Framework: Creditworthiness

A credit-ready economy is one where both the sovereign and its citizens have measurable trust, transparency, and capacity to borrow and repay responsibly. Creditworthiness lowers the risk premium. It reduces cost of capital. It unlocks private investment.

The missing link in 40 years of IFI programmes is this: Countries are conditioned to cut, but not to build the institutions of trust.

3. **Proposed Shift: From Austerity to Creditworthiness Conditionalities**

NICA proposes that the World Bank, IMF, and AfDB re-anchor lending around 3 new pillars:

Old Conditionality	**New creditworthiness Conditionality**
Cut Fiscal deficit	Build a robust national credit bureau and collateral registry
Raise interest rates	promote and fund access to credit education, create awareness in schools, MSMEs owners, Women, youth, and university graduates populations
Privatize State- Owned enterprise (SOEs)	Professionalize credit management with chartered and certified credit management status
Devalue currency	Improve credit information and scoring availability and reporting data to lower risk premiums

The metric of success should shift from "did you cut spending?" to "did your sovereign credit profile and citizen credit participation improve?"

4. The Role of Professionalization

Africa faces a global shortage of chartered and certified credit management professionals. With 9 chartered certifications, NICA is positioned to supply the ethical, technical manpower to administer African credit economy. Credit transactions management without credit management professionals is credit without guardrails. Debt is not the problem. Unproductive debt without a credit system is the problem.

If the World Bank, IMF, and AfDB are serious about African economic recovery, they must evolve from lenders of last resort to builders of first institutions. The future of African development will not be written in the language of austerity. It will be written in the language of credit. **Credit is trust, measured. A credit-ready Africa is a prosperous Africa**.

EXECUTIVE SUMMARY

For over four decades, Africa’s engagement with the World Bank, IMF, and African Development Bank has been guided by credit approval conditionalities centered on fiscal discipline and debt sustainability. While these objectives are legitimate, the instruments used have often proven to be counterproductive to economic recovery and development.

Aspects such as procyclical austerity, abrupt currency devaluation, high interest rate mandates, and rushed privatization have deepened recessions, increased the cost of living, and destabilized key institutions. More fundamentally, these conditionalities have failed to build the most critical infrastructure for development: a functioning credit economy.

This brief proposes a decisive shift in approach. Future lending to African countries should be anchored on **Creditworthiness Conditionalities** that measure and finance the capacity of African states and their citizens to borrow, invest, and repay responsibly.

THE GAP IN THE CURRENT FRAMEWORKS

The prevailing model conditioned African countries to cut expenditure during downturns, at the very time countercyclical investment is required to protect human capital and stimulate growth. It mandates rapid devaluation which raises the cost of food, fuel, medicine and external debt without the corresponding export diversification to absorb the shock. It prescribes high interest rates to fight inflation, yet in doing so it chokes the very MSMEs and governments that need affordable credit to grow.

Perhaps most critical is what is absent. Current programmes rarely finance the foundational elements of credit: national credit bureaus, collateral registries, credit management professionalization and education, and a pipeline of chartered certified management credit professionals. African nations have been conditioned to reduce, but not to build. Loans were provided, but not the ecosystem to ensure those loans are productive.

THE PROPOSED PARADIGM: CREDITWORTHINESS-BASED LENDING

A creditworthy economy is one built on trust, transparency, and measurable capacity. It is an economy where sovereigns and citizens have credit histories, where collateral can be registered and enforced, and where credit evaluation and decisions are made by trained credit management professionals.

NICA therefore recommends that the World Bank, IMF, and AfDB tie future disbursements to measurable progress in four areas. First, the establishment and strengthening of national credit management infrastructure, including a robust, well-managed credit bureaus and collateral registries. Second, the professionalization of credit management through the deployment of chartered, certified credit management personnel across public and private sector institutions. Third, the institutionalization of national credit and financial literacy for schools, MSME owners, women, youth, and university graduates populations. Fourth, the strengthening of legal frameworks for secured transactions and consumer protection.

The metric of success must evolve. Beyond fiscal deficits and inflation targets, IFIs should measure improvements in sovereign credit profiles, growth in credit participation, reductions in non-performing loans, and declines in the cost of credit.

RECOMMENDATIONS

We respectfully urge development partners to take three immediate steps.

First, pilot Creditworthiness Triggers alongside traditional fiscal targets in at least five African countries before 2030.

Second, allocate a dedicated portion of all Development Policy Financing to credit infrastructure and professionalization. Third, enter into strategic partnership with NICA as Africa's chartered professional body for Credit Management to supply the ethical and technical capacity required to administer African credit economy.

CONCLUSION

Africa does not suffer from a deficit of finance. Africa suffers from a deficit of finance that is predicated on trust and professionalism. Debt without a credit system creates dependency. Debt with a credit system creates development. The future of African prosperity will not be written in the language of austerity. It will be written in the language of credit. **Credit is trust, measured. A credit-ready Africa is a prosperous Africa.**

August 2026

PRESS STATEMENT

NICA Urges the World Bank, IMF, AFDB, and Others to Deepen Credit Economy and Support Africa to be Creditworthy and Credit-ready

In a press statement credited to **"NICA" — Professor Chris Onalo,** Nigeria's renowned Credit Economist and Registrar/Chief Executive Officer of the National Institute of Credit Administration (NICA), chartered — a strong call was made to global financial institutions to prioritize credit management infrastructure in Africa. According to the credit Legend, **"Credit is trust, measured. A credit-ready Africa is a prosperous Africa."**

Professor Onalo urged the **World Bank, IMF, African Development Bank, and other development partners** to deepen the credit economy and provide direct support for building the **creditworthiness of African countries and their citizens to be creditready.**

"Africa cannot achieve inclusive growth if African nations and people remain outside a formal credit system. Creditworthiness reduces the cost of capital, unlocks MSME financing, and attracts responsible investment," Professor Onalo stated.

The world is facing a critical shortage of chartered and certified credit management professionals. NICA, with 9 chartered credit management certification programmes, is positioned to supply ethical, trained manpower for Africa and the world. It is very clear in practical terms, that support is needed for modern credit management and credit accessibility education in schools and communities, with strong consumer and enterprise credit protection laws. Additionally, development financing and technical assistance should be tied to measurable improvements in both sovereign and individual credit profiles.

NICA reaffirmed its mandate to lead the professionalization of credit management in Nigeria and across Africa, and its readiness to partner with the World Bank, IMF, AFDB, CBN, and other stakeholders to build a robust credit culture that makes Africa a creditworthy continent, and its nations both **investment-ready, and credit-ready**.

Signed By:

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