AfSDJN Civil Society Forum Message on Mounting Sovereign Debt of African Countries

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Message to the African Ministers of Finance, Planning and Economic Development

On

Mounting Sovereign Debt of African Countries 23rd March 2021

The African Civil Society Forum on Sovereign Debt organized by the African Sovereign Debt Justice Network (AfSDJN), African Forum and Network on Debt and Development (AFRODAD) and the Friedrich Ebert Foundation – AU Cooperation Office on 8th March 2021 in advance of the Conference of African

Ministers of Finance, Planning and Economic Development (17-23 March 2021) noted with grave concern the mounting sovereign debt of African countries.

The African Finance Ministers Conference takes place under the theme “Africa’s Sustainable Industrialisation and Diversification in the Digital Era in the Context of COVID-19”, but against the backdrop of a continent whose development progress and economic stability stand precariously at the edge of severe regression.

As the global pandemic threatens to cause irreparable damage to economies and citizen lives across the African continent, we are reminded of the urgent need to put people before profits and recall the spirit of Pan-Africanism as we strive to “Build Forward Together”. With this in mind and conscious of the complexity of rebuilding out of a crisis, the Civil Society Forum noted the following key points.

1. The centrality of the African economies in the global economic, finance, and trade architecture across numerous global supply chains, has provided us with the clearest evidence of the need for the continent to move with haste in its industrialization agenda and move up these global value and supply chains. In so doing, the continent needs to prioritize domestic resource mobilization and to secure its domestic financial policies as a foundation for achieving national and continental structural transformation as contemplated in the African Union’s Agenda 2063.
2. The global pandemic has exposed the severe vulnerabilities of African economies. For this reason, there is a need to rethink Africa’s current neo-liberal development model so that African economies can begin working for African citizens by generating revenue, creating decent jobs and opportunities, especially for the growing youth population.
3. The accelerated debt crisis the continent is facing arises in large part from the chronic debt financing of mega-infrastructure projects that prioritize the interests of commercial and private investors at the expense of the social welfare interests of African citizens.
4. We note that there has been a fundamental breach of the social contract between the state and African citizens. African governments have unfortunately prioritized and privileged the profits of foreign investors and bankers while sacrificing the interests of African citizens.

5. The unified position taken by the African Union Finance Ministers' in calling for (i) extension in the current debt service suspension initiative (DSSI) from 12 to 24 months; and (ii) special drawing rights (SDRs) issuance from the IMF to the amount of $500 billion is welcome as part of the several immediate options to address the liquidity constraints facing the continent.

The Civil Society Forum further noted with concern:

1. That without taking bold steps to resolve the debt crisis, the African Union's Agenda 2063, including industrialization and increased intra-African trade, cannot be achieved.
2. That there has been an unsustainable build-up of sovereign debt as a proportion of GDP, with a growing share of this debt coming from commercial lenders and the associated increased debt-servicing costs. Increased debt servicing costs have in turn led to cuts to social services and protection programmes, public sector employment and public health during the COVID19 pandemic. This resulted in adverse consequences for all citizens, especially women and children.
3. The lack of commitment of the International Financial Institutions (IFIs) and the commercial and private creditors to fully commit to being part of a sustainable solution to the debt crisis affecting the continent.
4. The current debt relief, restructuring, and reprofiling initiatives do not go far enough to address the structural and systemic issues of the global debt architecture amongst them: (i) the lack of transparency and accountability in debt contracts; (ii) the lack of participation of citizens and all stakeholders in the debt contracting process at the national level; and (iii) the weak public finance management practices that have made debt susceptible to misuse.

The Civil Society Forum, therefore, calls upon the African Ministers of Finance, Planning and Economic Development:

1. To protect the financing of social protection and health programmes in order to cushion citizens against the impacts of Covid-19. This financing will also guard against reversing the anti-poverty gains made in Africa over the past decade.

2. To welcome on a regular basis the input of African civil society groups at the annual conference of African Ministers of Finance, Planning and Economic Development. The Civil Society Forum emphasized the participation and consultation processes with civil society groups who represent constituencies directly affected by sovereign debt should be strengthened.
3. To firmly commit to the 'Mozambique Principle,' according to which hidden sovereign debt is illegal and, therefore, unenforceable. Sovereign debt, especially from commercial creditors, should only be procured as a last resort and only in consultation with representative bodies like National Legislative bodies and with full disclosure of all contractual and indenture provisions.
4. To work with their National Legislatures to strengthen national legal frameworks to ensure transparency and accountability for sovereign debts negotiations, borrowing and management.
5. To disfavour infrastructure-driven borrowing unless there is definite evidence that such borrowing would be profitable or debt-neutral. The Civil Society Forum noted the growing indebtedness associated with large unsustainable and unprofitable infrastructural projects that use hard-earned tax revenue to subsidize the private finance industry's profits requires a continental level coordinated initiative.
6. To develop a common African position and consensus on sovereign debt that definitively seeks to overcome once and for all the distressed nature of sovereign debt. This is in large part because much of this sovereign debt was procured and justified by a neo-liberal consensus inconsistent with the interests of African citizens. We urge the African Ministers of Finance, Planning and Economic Development to consider measures such as debt cancellation seriously and, if necessary collective default as part of this new African position and consensus on African sovereign debt.

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