# Long Term Solutions are Required to Resolve the Latest Sovereign Debt Crisis

**By:**

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As the International Monetary Fund (IMF) and World Bank hold their spring meetings this week, the African Sovereign Debt Justice Network, (AfSDJN), calls on IMF and World Bank Members to add to their agenda for consideration of their Fall Meeting from October 15-17, 2021, long term solutions for Africa's sovereign debt crisis.

We acknowledge that the Special Drawing Rights, (SDRs), approved by IMF members are key to providing liquidity and the fiscal space to respond to the COVID-19 pandemic.

However, the liquidity that will be provided by the SDRs does not substitute for long-term solutions necessary to address the systemic risks and governance challenges of the latest African sovereign crisis. In addition, neither the G20's Debt Service Suspension Initiative, (DSSI), nor the Common Framework for Debt

Treatments provide definitive solutions for the sovereign debt crisis African countries are facing.

The very high likelihood of a lost decade of unsustainable sovereign debt levels and reversals in the gains made in poverty reduction require unprecedented responses.

Such responses must include bold reforms of the global debt architecture. The IMF and World Bank are positioned to lead the discussions on reforming the global sovereign debt architecture given their convening authority as well as their in-house expertise and capacity on management of sovereign debt. The Development Committee, the joint Ministerial Committee of the Boards of Governors of the Bank and the Fund, which is currently being Chaired by the Prime Minister of Barbados, Mia Amor Mottley provides an ideal institutional home for these initiatives.

Given the incredible diversity of creditors and divergence of interests represented among sovereign creditors, only the IMF and World Bank are capable of marshalling the resources necessary to design a framework for resolving the recurrence of debt crisis.

Further, we note that there is political momentum in support of such major reforms, especially among civil society groups and citizens in indebted countries.

The IMF and World Bank must therefore lead the way ahead to boldly and definitively respond to the sovereign debt crisis by:

1. Urgently commencing deliberations on a new sovereign debt restructuring mechanism that would be binding on all creditors, including commercial creditors, and that would make it difficult for hold-out creditors to prevent sovereign debt workouts. A good precedent to refer to is the Sovereign Debt Restructuring Mechanism that the IMF supported two decades ago.
2. Supporting the United Nations Conference on Trade and Development's proposal for an International Developing Country Debt Authority that would oversee comprehensive temporary standstills as well as debt sustainability assessments that would follow after sovereign debt relief and restructuring agreements. The opening for such major institutional

changes at the global level is now politically feasible in light of the call by the United States to set a global minimum tax for corporations this week.

3. Ensuring that debt restructuring undertaken under the aegis of the IMF or any new mechanism does not include austerity measures that lead more people into poverty while guaranteeing payouts to creditors.
4. Endorsing legislative initiatives, especially in the United Kingdom and the United States, to temporarily stop private creditors from suing for debt recovery for the world's poorest countries both in national courts as well as in Investor State Dispute Settlement. In addition, both the IMF and World Bank should continue to support efforts to have full disclosures of all the terms of the existing and new debt and debt-like commitments of the governments of the poorest countries.

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