Sovereign Debt Issues Should be at the Center of the African Union-European Union Ministerial Meeting this Week

By:

The African Sovereign Debt Justice Network

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The Second African Union-European Union Ministerial Meeting will take place from today 25th to tomorrow 26th of October October 2021, in Kigali, Rwanda. While today, 25th October 2021, the Senior Officials of the AU and the EU will meet, tomorrow the 26th of October 2021, the Joint AU-EU ministerial meeting will be convened. Prior EU-Africa meetings have focused on issues such as economic cooperation, resilience, peace, security and governance, migration and mobility but not as much on Africa's pressing sovereign debt crisis. The March 2020 EU-Africa Strategy did not focus on Africa's debt crisis.

It is important that the Second African Union-European Union Ministerial Meeting goes beyond the traditional ACP issues centering around, trade and investment, development cooperation and political dialogue. Africa's sovereign

debt crisis be part of the conversation.

The African Sovereign Debt Justice Network, (AfSDJN), and other African civil society groups like Afrodad have been calling upon African countries and the EU to put issues of sovereign debt distress at the very center of their discussions. The African Sovereign Debt Justice Network, a coalition of citizens, scholars, civil society actors and church groups committed to exposing the adverse impact of unsustainable levels of African sovereign debt on the lives of ordinary citizens, therefore calls upon the Second African Union-European Union Ministerial Meeting:

- **(1) To Support Debt Cancellation for the Poorest Countries**

AfSDJN supports robust measures to address the systemic and long-term nature of Africa's indebtedness in a sustainable manner through measure such as debt cancellation. As Pope Francis noted in August 2020, the severe impact of the medical social and economic crisis wrought by the COVID-19 pandemic justify debt cancellation for the most vulnerable countries. Without bold steps like debt cancellations, it will be impossible to re-building low middle income economies in a way that would help them to achieve transformational changes especially for their marginalized populations.

- **(2) To support African Civil Society calls for improved transparency in sovereign debt transactions**

As the new Zambian government has recently demonstrated, it is possible to publicly disclose and publish detailed and up to date sovereign debt statistics broken down by creditor. Debt transparency is a global public good and it is key element in efforts to attain debt sustainability. Transparency is also important because African countries have hidden debt in the magnitude of 10% of their GDP. The rush to get African governments pandemic relief support through borrowing has unfortunately been used to justify the abridgement of prudential safeguards such as transparency in borrowing. That is why we hope the Second African Union-European Union Ministerial Meeting can support improved debt transparency because when all stakeholders have accurate information about a country's total indebtedness, it is possible to hold creditors and governments accountable. With more debt transparency, citizens and creditors can better understand the risks and exposure of those loans and any contingent liabilities

and the impact of debt on financing for development. That is why we also ask the Second African Union-European Union Ministerial Meeting conference to support the Mozambique Principle, according to which hidden sovereign debt is illegal and, therefore, unenforceable.

- **(3) To Reject Fiscal Consolidation Programs in IMF Financing Programs for African Countries**

Debt distressed African countries are prioritizing IMF fiscal consolidation programs that include austerity measures. These austerity measures are worsening the negative impacts of the COVID-19 pandemic on the livelihoods of many African families. The fiscal consolidation programs require African governments to reduce government spending for public services; to impose public sector wage freezes or ceilings; to undertake public sector job cuts and to introduce user fees for basic social services; to privatize State-owned enterprises such as electricity and water utilities; and to introduce value-added taxes and other regressive taxes, while giving foreign corporations tax holidays. The Second African Union-European Union Ministerial Meeting must support Africa's efforts to reject austerity driven reforms especially because they t are inconsistent with the EU and AU's commitment to the Sustainable Development Goals and to human rights.

- **(4) To Support the IMF to Establish Formal Procedures in its Article IV Consultations with African Countries**

To support African Civil Society groups in calling on the IMF to establish formal procedures for its consultation with non-state actors during Article IV consultations with African countries and when developing a financing program. These formal procedures will afford a meaningful opportunity for such non-state actors to submit information and express their views to the IMF and to borrower governments. This will enable African governments and the IMF to gather important information about how IMF policies designed to respond to debt sustainability and their impact on poverty, inequality and the environment.

- **(5) To Support the Involvement of Civil Society Groups at Future African Union-European Union Ministerial Meetings and in the annual conferences of African Ministers of Finance, Planning and Economic Development**

To support on a regular basis the input of African civil society groups at future African Union-European Union Ministerial Meeting as well as at annual conferences of African Ministers of Finance, Planning and Economic Development at which issues of sovereign debt are discussed with private creditors. The participation and consultation processes with civil society groups who represent constituencies directly affected by sovereign debt should be strengthened to ensure that the voices and views of ordinary citizens about the impact of unsustainable debt burdens are part of the conversations and solutions discussed at those meetings.

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