African Sovereign Debt Justice Network's Statement on the 2023 Spring Meetings of the IMF and the World Bank

By:

The African Sovereign Debt Justice Network

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Ahead of the 2023 International Monetary Fund (IMF) and World Bank Spring Meetings, the African Sovereign Debt Justice Network (AfSDJN); the Pan-African Lawyers Union, (PALU); the African Forum for Debt and Development (Afrodad); NAWI Afrifem Macroeconomics; the Jesuit Justice Ecology Network Africa, (JENA); BudgiT; Ongolo; African International Economic Law Network, (AfIELN); OKOA Uchumi, and the Third World Forum, call upon the IMF and the World Bank to increase concessional financing for climate action and address urgent liquidity needs of African countries without exacerbating their indebtedness.

The correlation between indebtedness and climate change has been brought to the fore of policy discussions in Africa in recent years. An AfSDJN study showed that African countries in debt distress are also among the most climate-vulnerable countries on the continent. Despite being responsible for less than 4% of global greenhouse gas emissions, the continent is bearing the brunt of climate change. Climate-related disasters on the continent are shrinking the financial resources of countries. These losses are currently estimated at US $7-15 billion a year and could potentially rise to US $30 billion by 2030. From 2021 to 2030, Africa will require US $280 billion for its adaptation and mitigation needs.

Without adequate interventions on the loss and damage as well as adaptation fronts, African countries are likely to borrow approximately US$ 1 trillion over the decade for their climate response. It is alarming, as past funding trends show, that the bulk of climate finance is channeled through loans, further increasing already high debt levels. The generous gesture by some advanced economies to apportion their SDRs to developing countries through the IMF Resilience and Sustainability Trust (RST) to finance climate resilience falls far short of what African economies need. Further, many of these countries continue to be encumbered by fiscal consolidation or austerity in the loan programmes approved under the IMF RST so far, including Rwanda. This is contrary to the call by civil society for the reallocation of SDRs in a debt and conditionality-free mode and undermines the human rights and development commitments of debtor countries.

We agree with Barbados Prime Minister, Mia Mottley that the International Monetary Fund and the World Bank no longer serves the purpose in the 21st century that it did in the 20th century and therefore continue to reiterate our call for reforms of the global financial architecture. Specifically, we stress the need for concessional finance from the IMF and World Bank to make it a central objective to realize sustainable development goals (SDGs) and climate action.

The AfSDJN also calls upon the IMF and the World Bank to:

● Commence deliberations on a new comprehensive, fair and effective sovereign debt restructuring mechanism based in the United Nations that would be binding on all creditors, including private creditors. The G20 Common

Framework has proved to be inadequate to address the systemic indebtedness of African countries. The initiative has not only been slow but has also failed to secure substantial debt relief for participating countries as demonstrated by the Chad deal. Ongoing efforts to revamp the Common Framework under the Global Sovereign Debt Roundtable are creditor led and shrouded in secrecy, reinforcing the unequal balance of power in sovereign debt relations;

● Support the incorporation of natural disaster and pandemic clauses across sovereign debt instruments, including during restructurings, allowing countries to defer principal and interest payments in the event of the occurrence of natural disasters and pandemics. The ongoing debt restructuring for Zambia, a climate-vulnerable country, presents an opportunity to set precedent for incorporating such clauses in debt restructuring contracts;

● Ensure that ongoing debt restructurings undertaken under the aegis of the IMF are austerity free. Debt workouts should not prioritize payments to creditors while subjecting populations in Africa to debilitating austerity measures inconsistent with their human rights; and

● Review their debt sustainability assessments to ensure that they do not encourage the excessive accumulation of debt and take into consideration the required investment in sustainable development goals (SDGs), climate needs, and human rights of populations in African countries.

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