Without Taking Bold Steps to Resolve the Debt Crisis, the African Union’s Agenda 2063, Including Industrialisation and Increased Intra-African Trade, Cannot be Achieved.

As the global pandemic threatens to cause irreparable damage to economies and citizens’ 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”. It is in this regard that the African Civil Society Forum on Sovereign Debt which was organised by the African Sovereign Debt Justice Network (AfSDJN), AFRODAD) and the Friedrich Ebert Foundation – AU Cooperation Office held a meeting on 8th March 2021 to tackle concerning public debt levels across the continent in advance of the Conference of African Ministers of Finance, Planning and Economic Development that was held on 17-23 March 2021. Have a look at the meeting’s brief introduction and the statement to Ministers of Finance in English, French and Portuguese.
The Current Public Debt Situation and its negative Effects on People cannot be Ignored!

You agree with us that since the World Health Organisation declared COVID-19 a global pandemic in March 2020, business has not been usual by any means. What is often termed “new normal” is completely abnormal as nations and their citizens fight to not bow under the heavy burden of public debt and other negative effects of the pandemic. Countries, societies, and individuals have been struggling to respond to the pandemic’s devastation of health systems, economies, trade, and human wellbeing. This is the time for African governments to stand united and to be proactive in calling for national, regional, and global action on financing for development. You can find here the call to action that was released during the Pan-Africa CSOs meeting to Africa’s Finance Ministers ahead of the 53rd session of the Economic Commission for Africa.
Why is AFRODAD and partners asking for Special Drawing Rights issuance by IMF?

AFRODAD and 220 CSOs call for 2Trillion in SDRs by IMF (USD 3Trillion)

We were joined by amazing partners from various organisations and countries to ask for the issuance of Special Drawing Rights (SDRs) by IMF. But what are SDRs? Why are we spending much time and energy promoting them? And what’s the current situation and way forward? Read on!

AFRODAD with other 220 CSOs, are asking for the issuance of $2 trillion in SDRs or equivalent of US$3 trillion as part of existing debt relief measures for developing countries. We held productive meetings with the Southern African Development Community Parliamentary Forum (SADC PF); partners in Kenya (Okoa Uchumi Coalition under Tisa Kenya); in Uganda (media representatives from Uganda, SEATINI Uganda, Uganda Debt Network, Civil Society Budget Advocacy Group, Transparency International Uganda); Angola (OSISA Angola together with Angolan debt network); in Zambia (The Consumer Unity And Trust Society CUTS); in Zimbabwe (ZIMCODD); and in Chad (CROSET).
Ugandan Media and Civil Society join AFRODAD to Discuss Economic Recovery and Responsible Public Debt Management in a meeting hosted by Seatini Uganda

The global pandemic has resulted in a multitude of crises affecting Africa. African countries in general are witnessing a fiscal dilemma due to shrinking revenue collection and mobilisation, burdensome debt repayments and the trading off in expenditure towards social protection. As part of the response to this fiscal predicament, SDRs issuance would create fiscal space for investments in health expenditure including procurement, as current initiatives are still falling short of effectively providing immediate solutions.

It is in this regard that in a meeting attended by more than 25 Ugandan journalists on 25 March 2021, CSOs including SEATINI Uganda; Uganda Debt Network- UDN; Civil Society Budget Advocacy Group- CSBAG and Transparency International Uganda- TIU joined AFRODAD and other global CSOs to call for new issuance of 3 trillion SDRs or equivalent of US$3 trillion as
one of financing measures for economic recovery especially for needy countries. These new allocations would ease fiscal constraints thus enabling African countries to invest in protecting their citizens against the economic contraction; increasing health spending for tests, protective equipment, treatment as well as procuring vaccines and eventually investing in healthcare systems.

Continue reading and also let’s cross over to Uganda and hear what they have to say concerning financing economic recovery and responsible public debt management:
Briefing of media, CSOs and governments on economic recovery and responsible public debt management. Responses from Lilian Zawedde - Transparency International Uganda

Briefing of media, CSOs and governments on economic recovery and responsible public debt management. Responses from Samson Muwanguzi - Acting Commissioner, Debt Policy Issuance McFPED
Briefing of media, CSOs and governments on economic recovery and responsible public debt management. Responses from Sophie Nampewo, Senior Budget Policy Analyst - CSBAG

Briefing of media, CSOs and governments on economic recovery and responsible public debt management. Responses from Lubega Emmanuel - Journalist, DW Kswahili
You can also hear from Ssuuna Robert, Tax and Trade Expert; Ismail Musa Ladu- journalist Nation Media Group; Jane Nalunga, Executive Director- Seatini; Louis Kizito, Digital Marketing Manager and Consultant.

In Kenya, we also had a catch-up meeting with business journalists to introduce AFRODAD to them and to also advise concerning some of the questions or limitations that they find themselves faced with when it comes to reporting on public debt management and related issues.

Even though there are many issues to tackle, we still have to #StopTheBleeding

Before the Covid-19 pandemic, countries were already vulnerable to Illicit Financial Flows (IFFs). But now their has been increasing as countries have shifted their focus to fight the spread of the virus and they somewhat lowered their tools for fighting IFFs. You see, the latter have been exacerbated by smuggling of mineral resources and an increase in corruption in the procurement of Covid-19 equipment and drugs. IFFs have also increased countries’
vulnerabilities to borrow and financing various needs. Consequently, it is estimated that countries will plunge further into debt distress as they had to seek extra funds to cope with the pandemic. But you and us have to do all we can to avert the situation from getting worse!

So, the bottom line is that we cannot lower tools to fight IFFs because if this vice is allowed to hide behind the pandemic and continue flourishing, it will make the economic recovery very slow. The FACTI Panel is one of the initiatives to curb IFFs and ultimately contribute to the achievement of Agenda 2030. It is also a platform that enables governments to engage and ensure that their comments and suggestions on global policies have been solicited and fed to the UN. An understanding of how the FACTI Panel is designed to work in curbing IFFs and how African countries can utilise it to engage and influence global policies especially those on IFFs is very crucial. It is therefore imperative to have action-oriented discussions with policymakers, civic society groups, the private sector and the academia to understand the FACTI Panel and actively participate to its various consultative processes. It is against this backdrop that AFRODAD hosted the IFFs conference from 22-24 March 2021. Hybrid meetings were held in Nairobi- Kenya; Harare- Zimbabwe; Lusaka- Zambia; Yaoundé - Cameroon and Abidjan- Ivory Coast.

Here we have the conference concept note, presentations and a bit more about the Stop the Bleeding Campaign. You can also have a look at more here.
We do not support Public Private Partnership Projects that Undermine Democratic Accountability

Through the Civil Society Policy Forum of the IMF and World Bank Spring meetings, held on the 24th of March 2021 AFRODAD’s presentation in a webinar on Universal Health care: Lessons learnt from Public Private Partnerships in Southern Africa raised concerns that CSOs in Africa hold against Public Private Partnership (PPP) in the health sector. AFRODAD shared four lessons derived from its study on the Privatisation of Education and Health Services in Southern Africa. These lessons include the fact that i) PPPs undermine democratic accountability, ii) they disenfranchise citizens from access to health due to high user fees, iii) crowd out human and financial resources from public sector and iv) lead to debt through contingent liabilities. These among other factors presented by other panelists from Africa and Latin America led to the World Bank’s Global Lead on Health, Nutrition and Population as well as the United Nations Special Rapporteur on the Rights to Health, pledging to assist CSOs in engaging country offices on PPP agreements most of which remain undisclosed.
News you don’t want to miss!

BBC- Africa interviewed Senior Policy Analyst on Debt Management, Tirivangani Mutazu on the current and worsening public debt situation and why citizens, especially the youth, should be interested in public debt issues and demand transparency from their governments when it comes to borrowing and spending. Since governments borrow and we pay, we definitely must be part of the process including keeping them accountable. Watch the interview from the 9th minute.

The IMF news reached out to AFRODAD's Executive Director, Jason Braganza for a podcast interview. His message was that member states of the African Union should have a collective voice when negotiating at the UN, at the IMF, at the World Bank and other International Financial Institutions. They should also have a collective position that speaks to and for the continent and also benefits the continent. Here is the link to the insightful podcast.

Proceed to more news items
We got some old style PDF too!

MPs, civil society lobby IMF for US$3 trillion

Ms Nozoma emphasised that on February 5, 2021, African finance ministers had unanimously called on the IMF to issue SDIs, while also lobbying for an extension of the G20 Debt Service Suspension Initiative. At its 46th Plenary Assembly Session in 2020, the SADC PF adopted a resolution that exhorted the region to support initiatives that would result in total cancellation of Africa’s foreign debt.

AFROGAD senior policy officer Mr Tshimanga Mupani said the average public debt in SADC had increased from 39.2 percent of GDP in 2011 to 52 percent in 2019. And it was still rising.

“The pace of public debt accumulation has been higher for Angola, Mozambique, Zambia, Swaziland, Namibia and South Africa, where it has exceeded the regional average of 36 percent of GDP,” he said.

In 2020, three countries were at high risk of debt distress, namely Zambia, Angola and Malawi, and two countries were in debt distress — Zimbabwe and Mozambique. For SADC market access countries — South Africa, Botswana, Namibia, Mauritius, Lesotho and Seychelles, debt levels were considered sustainable.

“The main drivers of debt accumulation have been new borrowing, budget deficits, exchange rate depreciations, the rise in interest rates, debt creating inflows, commodity price fluctuations and low foreign direct investments,” he said.

Mr Mutasa said Africa needed a resolution mechanism that addressed the legality, legitimacy, and sustainability of debts.

“In addition,” he noted, “parliamentarians of the SADC Parliamentarian Forum and national parliamentarians need to engage governments to put pressure on the IMF to issue out SDIs. Particularly, African parliamentarians need to call on the IMF to issue Special Drawing Rights. The Africa Union, finance ministers and the UN Economic Commission for Africa have all added their voices on the need for the SDI issuance.

“The likely event of SDI issuance, parliamentarians will have to play an important role in the usage, transparency and accountability of the funds. SDIs come with no IMF conditionalities attached. It is money that goes directly to country treasuries and national budgets.”

AFROGAD executive director Mr Jason Braguma contextualised matters by pointing out that legislators and civil society had to explore how best to use available “instruments and policy processes that secure some form of extended debt relief, debt restructuring and ultimately debt cancellation given the manner in which some of these debts have been accrued, but also in terms of how some of our creditors have behaved in lending to some of our governments in ways that are not in keeping with high levels of transparency, governance and accountability.”

“So, in the context of advocating for the issuance of drawing rights, we must also be very keen and active in advocating for equitable allocation given the special circumstances under which we are seeking this issuance of new Special Drawing Rights,” he added.
Call for revision of how SDRs are allocated

MABASA SASA

AT LEAST nine SADC member states have accessed credit lines worth more than $1 billion (R14.8bn) from the International Monetary Fund (IMF) and the World Bank Group (WBG) to finance Covid-19 interventions, something experts caution will exacerbate the debt situation in the region.

The African Forum and Network on Debt and Development (Afrodad) says the region is digging itself deeper into a hole and it needs to find sustainable solutions to the mounting debt crisis.

Among the solutions on the table is getting the IMF to issue new Special Drawing Rights (SDR), to the tune of $3 trillion, to assist African governments cope with Covid-19 and set themselves on the path to economic recovery. Afrodad, with the backing of the Southern Africa Development Community Parliamentary Forum, has called for a revision of how SDRs are allocated as the mechanism has tended to favour rich nations.

The lobby is also pushing for inclusion of all creditors (private lenders and international financial institutions) in all debt-relief initiatives; immediate addressing of structural biases in the global debt and financial architecture; and restructuring and re-profiling of the debt portfolio as a step towards debt cancellation.

At a webinar themed “IMF Special Drawing Rights, A Sustainable Option for Financing the Fight Against the Covid-19 Pandemic and Economic Recovery in Africa” last week, Afrodad senior policy officer Tirivangani Mutazu outlined the extent of the crisis.

From the IMF, the Comoros borrowed $12.13m, the DRC $363.27m, Madagascar $165.96m, Malawi $91m, Mozambique $309m, Tanzania $14.3m, and the Seychelles $31.2m. The World Bank’s Covid-19 Fast-Track Facility saw the DRC access $47m, Eswatini $6m, Lesotho $7.5m and Malawi $37m.

The pace of public debt accumulation has been higher for Angola, Mozambique, Zambia, Swaziland, Namibia and South Africa, exceeding the regional average of 30%. Botswana, the DRC and Zimbabwe experienced a decline in their debt-to-GDP ratios. In 2020, three countries were in high risk of debt distress, namely Zambia, Angola and Malawi, and two countries in debt distress – Zimbabwe and Mozambique.

Afrodad said major drivers of debt accumulation included budget deficits, exchange rate depreciation, commodity price fluctuations and low foreign direct investment inflows.

Covid-19 had reduced government revenues while increasing expenditures have increased due to a sharp rise in health expenditures, social programmes and recovery bailouts to firms.

The situation has resulted in louder calls for global lenders to consider debt relief.
We’ll play our part: legislators

FREDDY MAMBARA

LEGISLATORS in Southern Africa should play a central role in ensuring governments do not accrue unnecessary debt, and that finances are transparently and procedurally handled.

The call was made in the context of the continental lobby to compel the International Monetary Fund to issue new special drawing rights (SDRs) to give low-income countries fiscal space to contend with the Covid-19 pandemic in particular and set Africa on the path to economic recovery.

The African Forum on Debt and Development (Afrodad) and the SADC Parliamentary Forum (Pf) on March 15 held a webinar to chart a way forward on SDRs and debt.

Afrodad executive director Jason Braganza noted that African countries had been the beneficiaries of past debt cancellation programmes such as the highly indebted poor country initiative and the multilateral debt relief initiative at the turn of the millennium.

However, he said since then there had been “a bit of a furl in holding governments accountable” for contracted debt, and this had seen authorities getting into counterproductive deals with commercial lenders who attached unfavourable terms and conditions such as high interest rates and/or harsh penalties.

As such, he said it was imperative to explore the different available “instruments and policy processes to secure some form of extended debt relief, debt restructuring and ultimately debt cancellation, given the manner in which some of these debts have been accrued, but also in terms of how some of our creditors have behaved in lending to some of our governments in ways not in keeping with high levels of transparency, governance and accountability”.

Afrodad senior policy analyst Tirivangani Mutazu said: “SADC governments should ensure that proper good debt governance practices, eg parliamentary approvals, are followed during the Covid-19 crisis and risks are minimised.”

Legislators, under the banner of the SADC Pf, pledged to play their oversight role both in respect of any potential SDR issuance and as regards debt acquisition and financial expenditure by governments.

“SADC countries need SDR allocations for the following reasons: increased health spending for tests, protective equipment, treatment, eventually vaccination; broader investment in health care to strengthen systems; increased social protection spending to allow locked down citizens to survive financially and protect the most vulnerable; increased water provision (hand washing, sanitation, hygiene); and to rebuild economies (direct bailouts of enterprises).

As parliamentarians and civil society, we will play our important oversight role in the usage, transparency and accountability of the SDRs funds,” they said.

SDRs are costless assets issued by the IMF, which central banks can either use as a reserve or liquidate as hard currency.

Marwick Khumalo, an MP from Eswatini, said while countries appreciated the various loan facilities extended by the IMF and other lenders, conditions attached were often stringent and choked small economies.

Zimbabwean legislator Anele Ndebele said parliaments should ensure SDRs were channelled towards their intended use.
Jason Braganza (left), Executive Director, AFRODAD joined by Donald Deya, Chief Executive Officer of the Pan African Lawyers Union (PALU), captured during our recently held virtual IFFs Conference.