

Lessons
from
“COVID 19 and Sovereign Debt: The
Case of SADC”

Danny Bradlow

SARCHI Professor International Development Law and African Economic
Relations

Centre for Human Rights

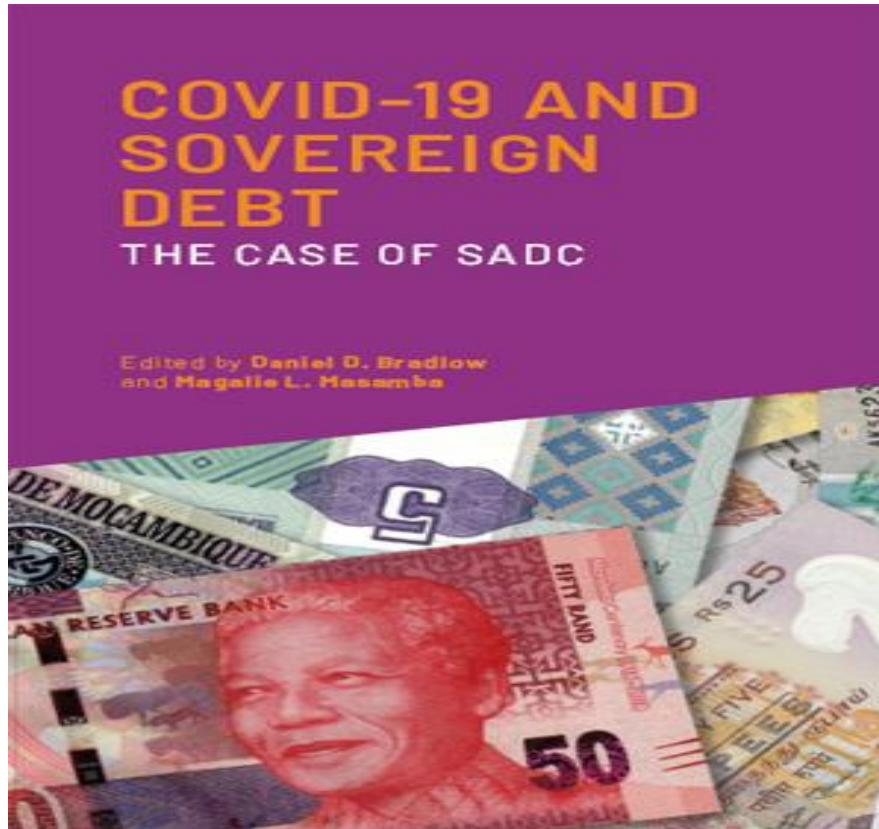
University of Pretoria

Email: danny.bradlow@up.ac.za

Overview

- Introduction to Book
- 5 Lessons from the Book
- 2 additional lessons
- A proposed solution

The Book



Edited by Daniel D. Bradlow and Magalie L. Masamba 2022 available at:

<https://www.pulp.up.ac.za/catalogue/edited-collections/323-covid-19-and-sovereign-debt-the-case-of-sadc>

- 15 chapters
- 17 authors (Africa, global, diverse backgrounds and levels of experience)
- Chapters cover 4 themes
 - Global economic structure
 - Debt management
 - Holistic approach to sovereign debt
 - Case studies: Mozambique, Namibia, South Africa, Zambia and Zimbabwe

Five Lessons (Slide 1)

- **Lesson 1: Importance of responsible borrowing process**
 - Clear and publicly disclosed state borrowing procedures
 - Some role for public participation— role of parliament
 - Need for public explanation of reason for borrowing
 - Accountability
- **Lesson 2: Importance of Debt Transparency**
 - State borrowing procedures
 - Debt data disclosure requirements-- both to public and creditors
 - Transparency of contractual terms
 - What should be disclosed?
 - Case of resource backed loans/collateral

Five Lessons (Slide 2)

- **Lesson 3: Importance of Legal Predictability**
 - Debt is a contract → need for contract to be as comprehensive as possible
 - Fair allocation of risk in the contract → know who is responsible for what and consequences of risk occurring
 - NB of living up to commitments to creditors v. other rights holders
- **Lesson 4: Comparability of treatment in restructuring**
 - Need for all creditors to participate in restructuring
 - Need for all to contribute on comparable basis
 - NB of transparency

Five Lessons (Slide 3)

- **Lesson 5: Need for a comprehensive approach**
 - Sovereign debt is not just a financial issue → affects the economic, social, political, cultural and environmental situation in the debtor country
 - All aspects of borrower's situation must be taken into account →
 - NB of financial sustainability
 - NB of ES and human rights impact assessments
 - NB of ensuring fair burden sharing

2 Additional Lessons

- **Lesson 1: Africa needs to borrow from private creditors**
 - **Additional total external financing needs == \$300 billion/year (climate and SDGs)**
 - Debt forgiveness insufficient (total debt stock \$700 billion)
 - Official Creditors: Bilateral in 2020 =\$115 billion; Multilateral debt in 2020 =\$144 billion
- **Lesson 2: Need for a New approach**
 - Need a comprehensive approach but unlikely
 - Cannot rely on “kindness” of creditors— official or commercial
 - Need approach that can disrupt inter-creditor relations and can force them to adopt a more ES and HR responsible approach

A Proposal: DOVE (Debts of Vulnerable Economies) Fund

- **DOVE Fund will support African sovereign debtors experiencing difficulty in meeting their tradeable debt obligations:**
 - Become creditor/participant in creditor group
 - Commit to using a stipulated set of standards in negotiating “fair” arrangement for the management of the debt:
 - Require due diligence and impact assessments
 - Meet debt service obligations without undue hardship
 - Maintain market access to greatest extent possible
 - Maximize funding *actually* available and used for promoting sustainable and inclusive development in debtor state
 - **Advocate for adoption of standards by other creditors and stakeholders**