



STATEMENT

ON THE OUTCOMES OF THE WEBINAR ON ISSUANCE OF INTERNATIONAL MONETARY FUND SPECIAL DRAWING RIGHTS CONVENED BY THE SADC PARLIAMENTARY FORUM AND AFRODAD

15th March 2021

COVID-19 was declared a global pandemic twelve months ago and has since evolved from a health crisis to deep economic and social crisis. Countries in Africa are bearing the brunt of the pandemic and are now experiencing a debt crisis. The pandemic is deepening inequalities and threatening to erode years of progress on poverty reduction and women's rights. The Southern African Development Community (SADC) region is facing an economic contraction associated with falls in revenue, lower foreign exchange earnings and higher fiscal and debt burdens. In the wake of the current crisis, several countries in the region will face severe challenges in bringing the pandemic under control while at the same time trying to stimulate their economies, and procure and roll out vaccination programmes; while allocating resources towards social protection programmes.

The SADC Parliamentary Forum (SADC PF) in partnership with the African Forum and Network on Debt and Development (AFRODAD) convened a virtual meeting on Monday, 15th March 2021 to discuss the current debt problem in the region. The economic impact of COVID-19 has worsened the debt sustainability situation of most SADC countries. The pandemic has impacted major macroeconomic variables as the countries are still low down the global value chains. With increasing debt pressures, the region is facing additional fiscal pressure to maintain health expenditures and keep up economic stimulus packages.

The deliberations from this forum noted that:

MINDFUL that most SADC Countries were heavily indebted prior to the emergence of Covid-19 Pandemic. 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.

CONCERNED that the average public debt for the SADC region reached 59.9 percent of GDP in 2019 up from 48.8 per-cent recorded in 2018.

Further Concerned that the number of Member States that breached the regional target of public debt of 60 percent of GDP is increasing. Countries that have breached the regional threshold of 60 percent of GDP are South Africa Zimbabwe, Angola, Malawi, Mozambique and Zambia. The increasing public debt levels exert additional burden on the resources of Member State as debt service costs increase.

RECOGNISING the steps taken by the World Bank (WB), the International Monetary Fund (IMF), and the G20 under the Debt Service Suspension Initiative (DSSI) and the Common Framework, while they provide immediate fiscal liquidity to developing nations, do not address the core global debt and financial architecture inequalities.

AWARE that a new issuance of Special Drawing Rights (SDRs) by the IMF would create immediate additional liquidity for SADC Member Countries to increase fiscal space for Covid-19 responses including the procuring and roll out vaccination programmes in the region and strengthen healthcare systems.

COGNISANT that SDRs are part of the immediate interventions in addressing the current public debt challenge in the region

CONVINCED that the issuance of SDRs is one of the short-term financing options to fight against COVID-19 and African economic recovery, given the current debt stock in the SADC Region;

SADC Parliamentarians and AFRODAD:

STRONGLY RECOMMEND that the IMF highly considers issuing a new allocation of SDRs as a fast way of providing immediate relief to countries that are liquidity constrained because of the health and economic crises resulting from the COVID-19 pandemic and other economic challenges prior to the emergence of the Covid-19;

URGE SADC Member states to take deliberate steps in strengthening the oversight role of regional Parliaments in Public Financial management by fostering transparency and accountability in the prudent use of Public funds.

ENCOURAGE SADC member countries to transform their economies and move towards sustainable options of addressing current liquidity challenges including pursuing resilient debt architecture.

CALL UPON SADC Countries to join the campaign for debt cancellation in addition to current debt relief and restructuring mechanisms still falling short of effectively providing sustainable solutions.

We are calling on SADC member countries to support a new allocation of IMF Special Drawing Rights (SDRs) to the amount equivalent of US\$3 trillion.