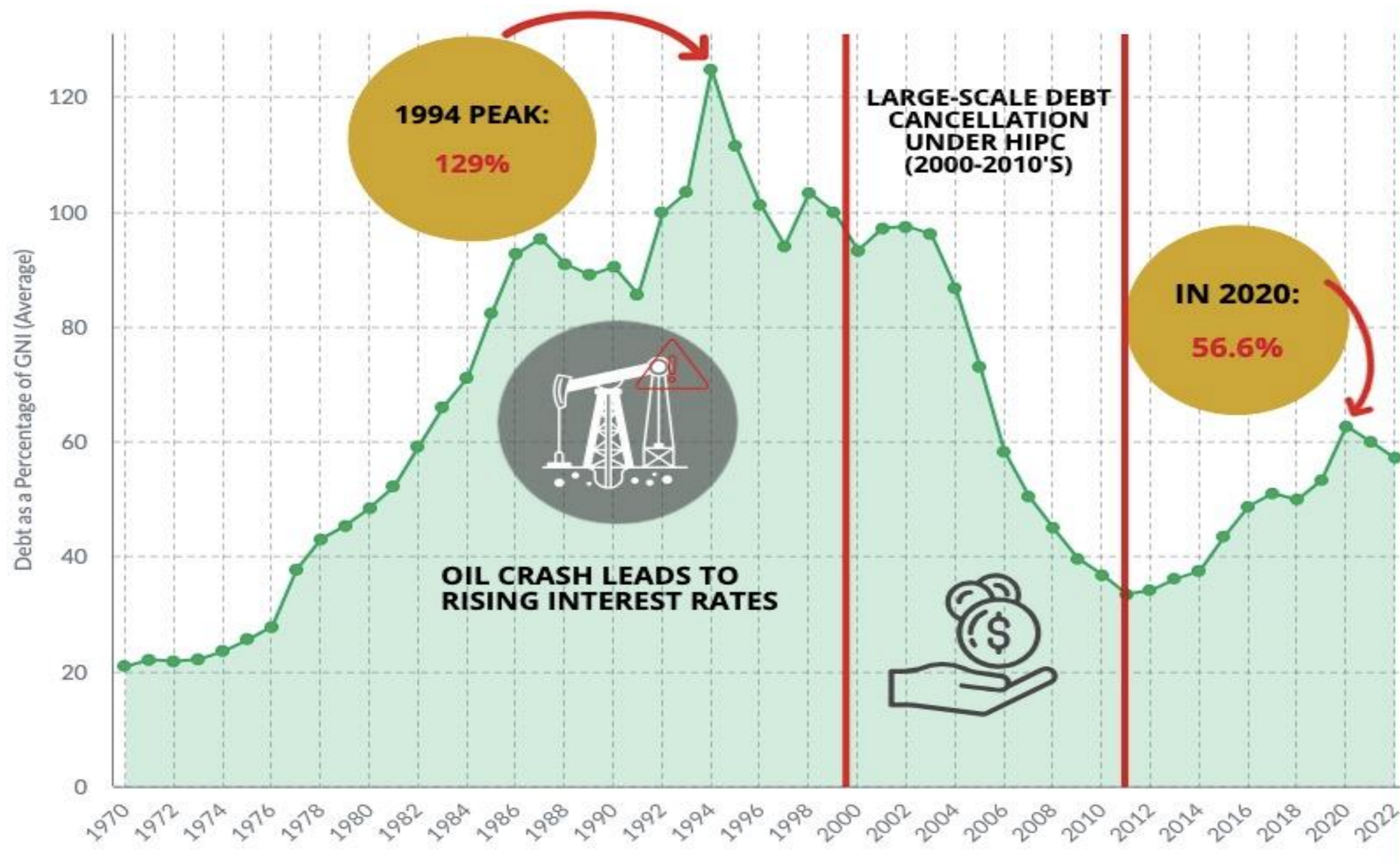


REIMAGINING THE GLOBAL DEBT RELIEF SYSTEM FOR AFRICAN INTERESTS – WHAT CONCRETE IDEAS?

17 April 2024

**Hannah Wanjie Ryder
CEO, Development Reimagined**

TODAY'S AFRICAN DEBT – BACK TO THE EARLY 1980s

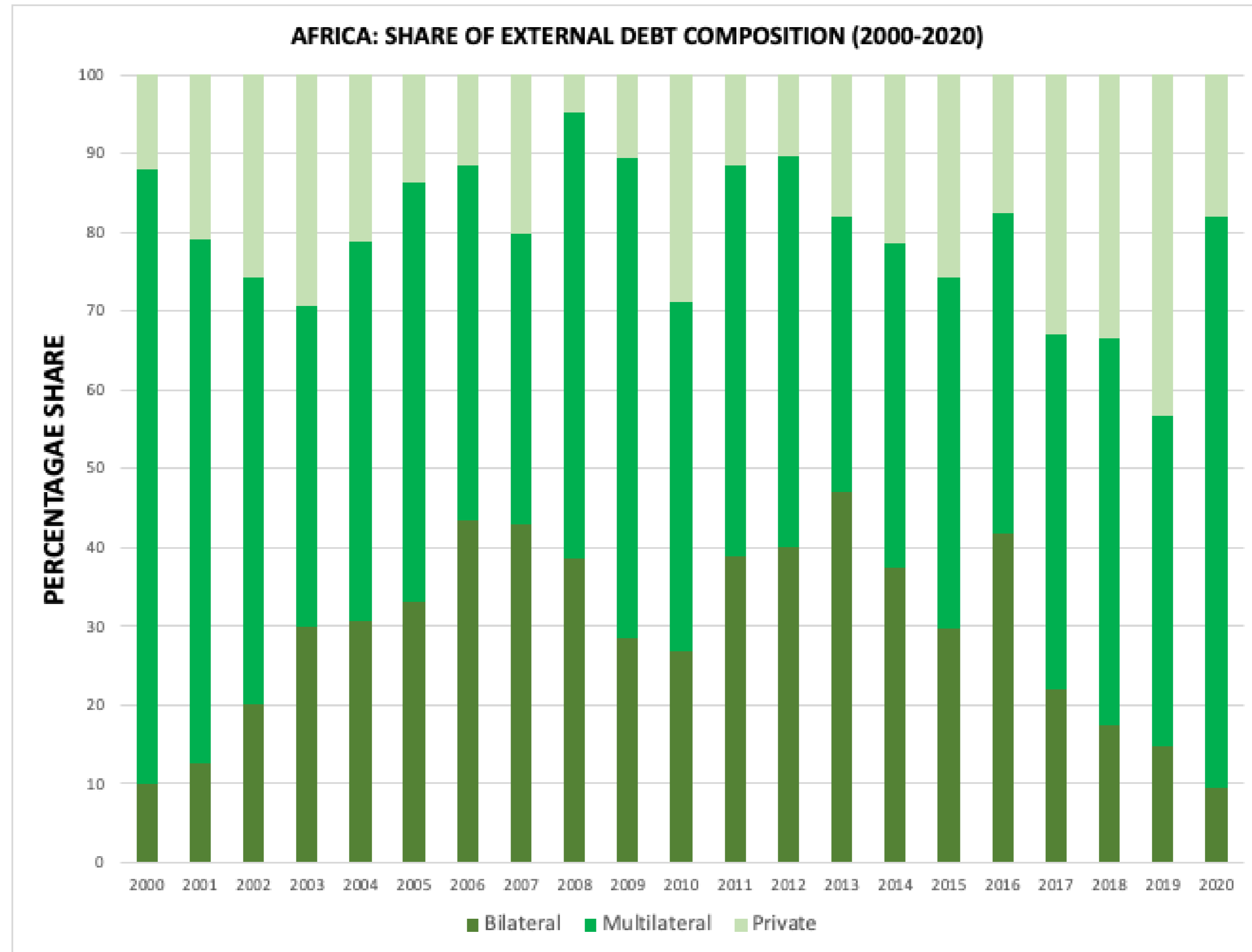


AFRICA'S DEBT IS SMALL COMPARED TO THE REST OF THE WORLD

External Debt Stocks Across Regions (Excluding High Income Countries)



AFRICA'S BROAD MIX OF CREDITORS



AFRICA'S FUTURE DEBT NEEDS – AN EXAMPLE



Ethiopia's investment forecasting gap (2021-2030)

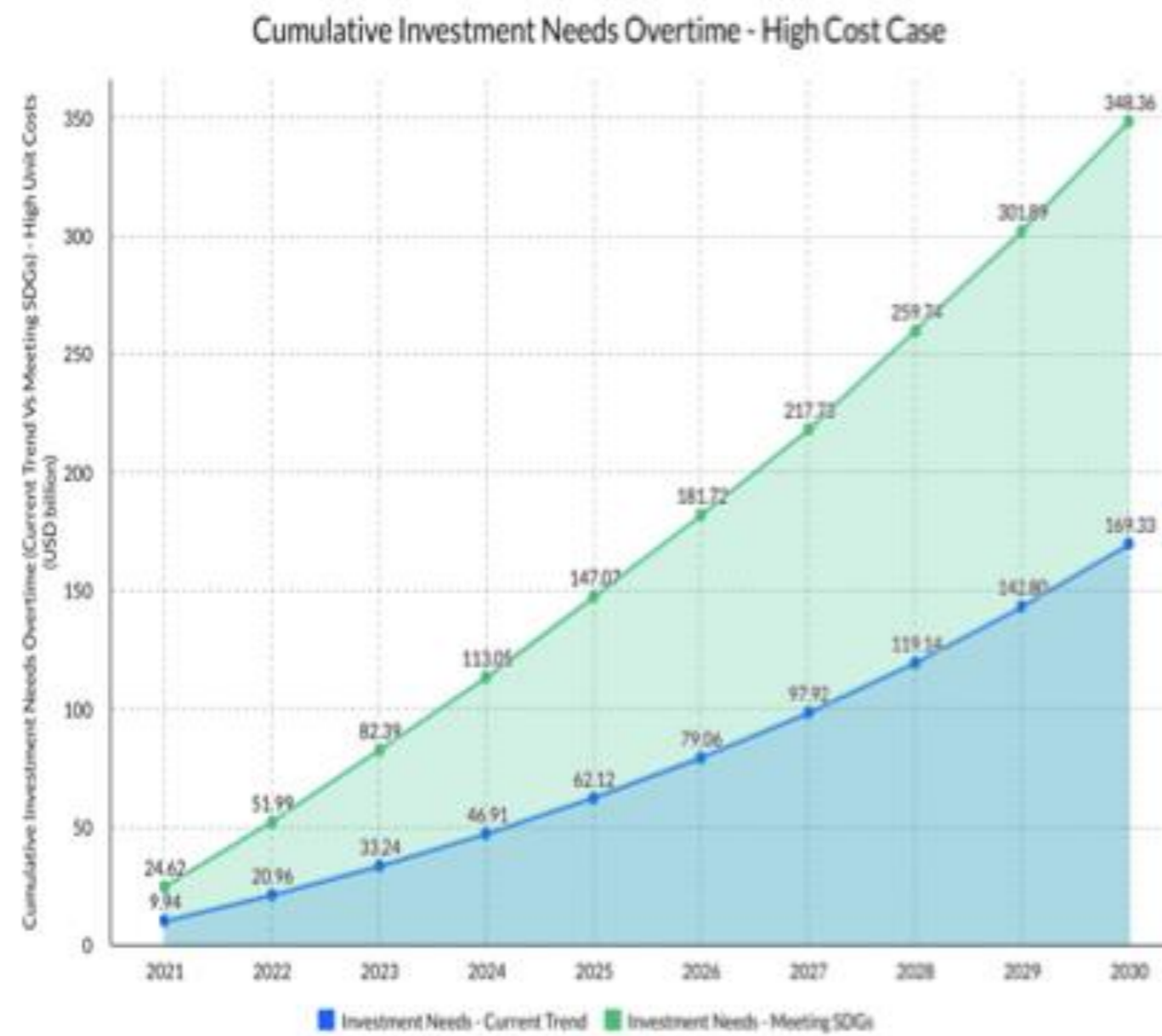


Chart 1: Ethiopia's investment forecasting gap (high-cost estimate).



Chart 2: Ethiopia's investment forecasting gap overtime (2021-2030).

1980s AFRICAN-LED ATTEMPTS AT DEBT MANAGEMENT



Thomas Sankara

A United Front Against Debt

Delivered: In French, on 29 July 1987, at the summit of the Organization of African Unity held in Addis Ababa, Ethiopia.

Source of the translation into English: Thomas Sankara, "[A United Front Against Debt](#)", *Viewpoint Magazine* online (pub. 1 February 2018; accessed 20 October 2019). This is a modified translation of Thomas Sankara's speech, "[Discours sur le Front Uni Contre La Dette](#)," delivered at the 1987 Organisation of African Unity conference held in Addis Ababa, Ethiopia. The basis for the present version comes from both a subtitled video recording of the address as well as a recent English translation published in [Documenta 14: South as a State of Mind](#).

This edition: Marxists Internet Archive, October 2019.

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Mister President, Heads of Delegations,

At this moment I would like for us to speak about another pressing issue: the issue of debt, the question of the economic situation in Africa. It is an important condition of our survival, as much as peace. And this is why I have deemed it necessary to put several supplementary points on the table for us to discuss.

Burkina Faso would like to first of all talk about our fear. Our fear is that there are ongoing United Nations meetings, similar meetings, but less and less interest in what we are doing.

Mister President, how many African heads of state are present here when they have been duly called to come speak about Africa in Africa?

Mister President, how many heads of state are ready to head off to Paris, London, or Washington when they are called to a meeting there, but cannot come to a meeting here in Addis-Ababa, in Africa?

I know some of them have valid reasons for not coming. This is why I would suggest, Mister President, that we establish a scale of sanctions or penalties for the heads of state who do not presently respond to the call. Let's make it so that through a set of points for good

RECENT EXPERIENCES WITH DEBT RELIEF – THE SOMALIA CASE

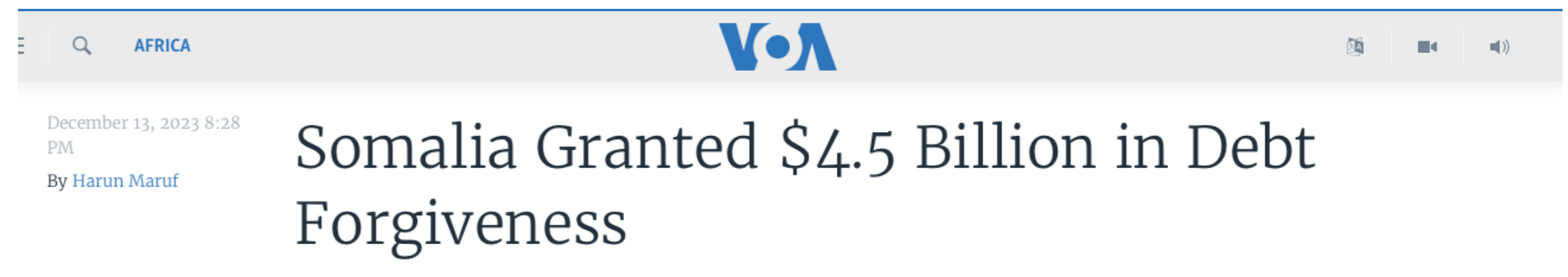
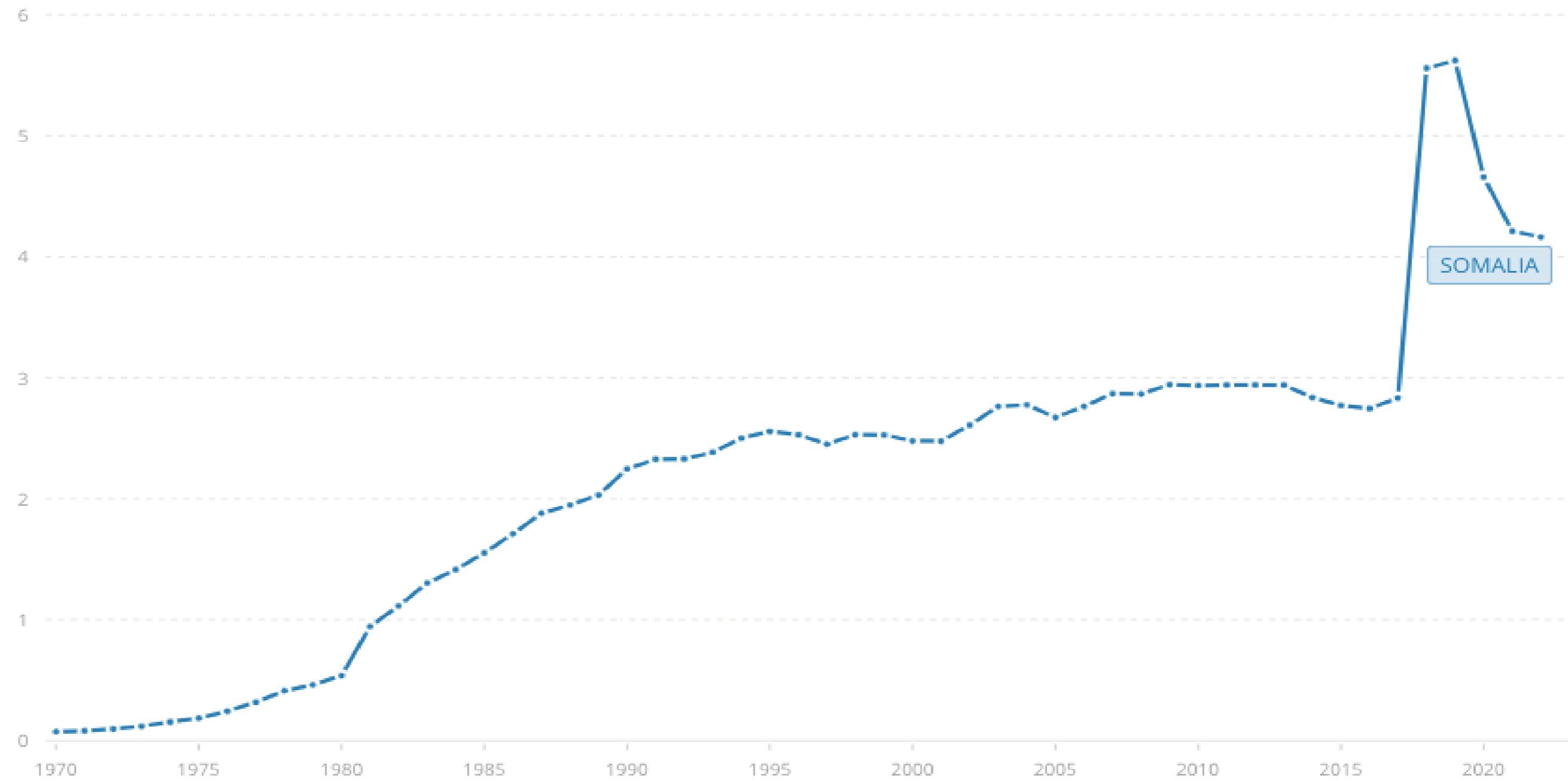


The representatives of the Paris Club creditor countries agreed on 31 March 2020 with the Government of the Federal Republic of Somalia to restructure its external public debt. This was the first ever “virtual” negotiating meeting of the Paris Club. The Paris Club congratulates Somalia for having reached its Decision Point under the enhanced initiative for the Heavily Indebted Poor Countries (enhanced HIPC Initiative) in March 2020.

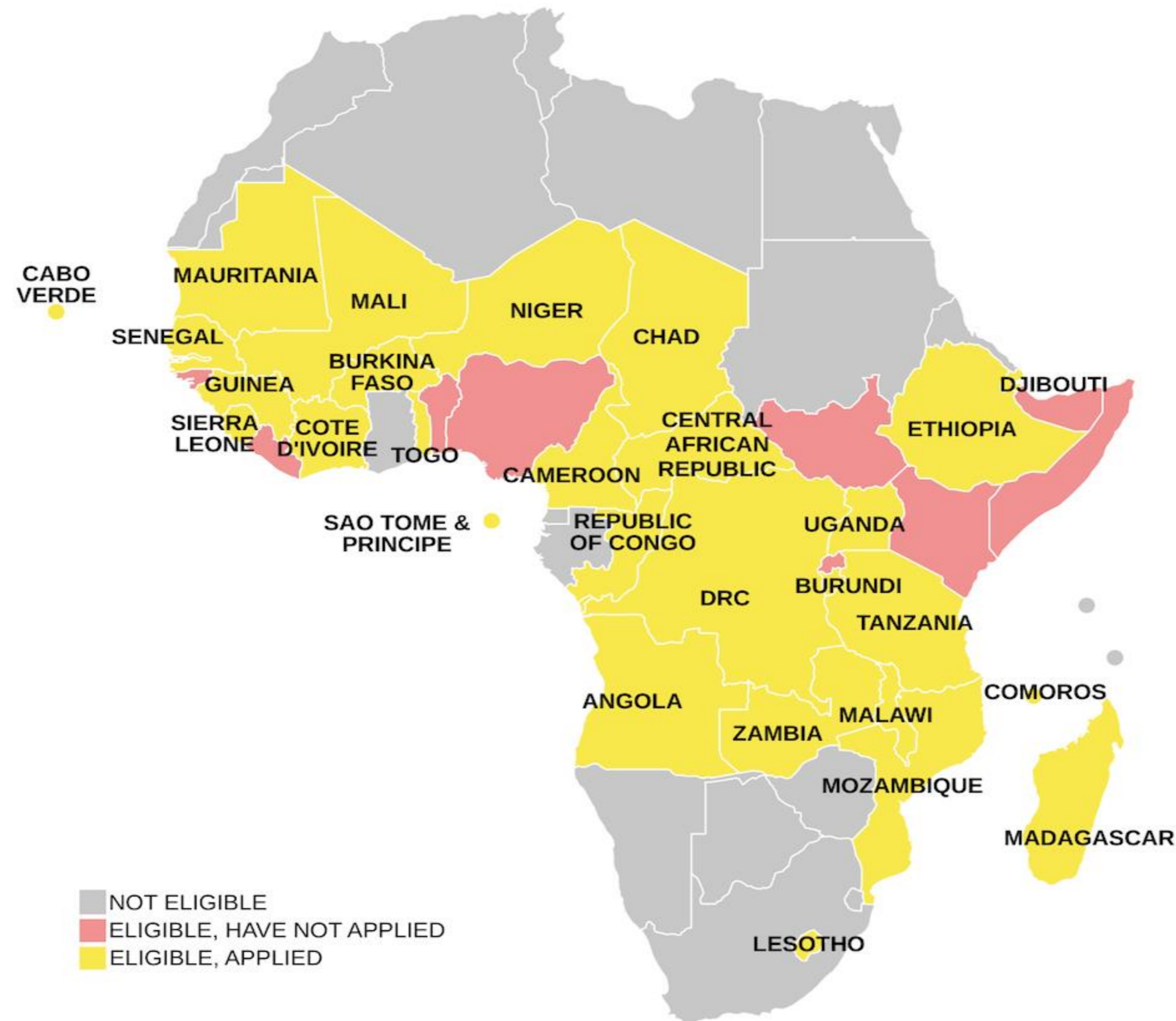
This agreement was concluded under the so called “Cologne terms” designed by the Paris Club to provide interim debt relief as part of the HIPC Initiative. This leads to the immediate non-ODA debt cancellation of US\$ 1.4 billion in debt owed by Somalia to Paris Club creditors.

Somalia is expected to reach its HIPC Completion Point by 31st March 2023 or earlier and receive the remainder of the debt reduction envisioned under the enhanced HIPC Initiative already endorsed by the international community in 1999. On an exceptional basis, considering Somalia’s very limited capacity of payment, and provided that it continues to implement satisfactorily an IMF supported program, no payments are expected from Somalia until at least 31st March 2024.

Several creditors intend on a bilateral basis to grant additional debt relief to Somalia beyond the terms set today in the Paris Club agreement.



RECENT EXPERIENCES WITH DEBT RELIEF – THE DSSI



RECENT EXPERIENCES WITH DEBT RELIEF – THE ZAMBIA CASE



Africa

Zambia dealt major setback as official creditors object to bond deal

By Rachel Savage and Karin Strohecker

November 20, 2023 12:20 PM EST · Updated 5 months ago



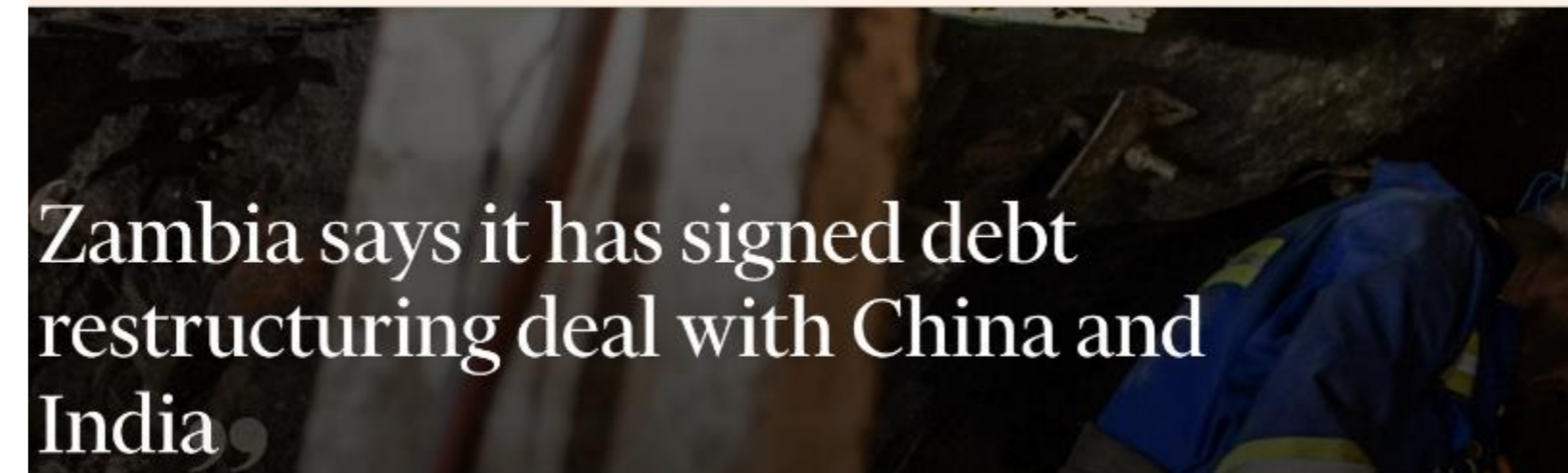
Markets Markets

Zambia Deal With Bondholders Secures Key Win in Years-Long Saga

- Nation has undergone three-year battle to reach debt pact
- Move is much-needed result for Group of 20's Common Framework



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AFRICA IS OPERATING IN A SYSTEM STACKED AGAINST BORROWERS



HISTORY: VARYING DEGREES OF DEBT RELIEF

ATTITUDE TOWARDS BORROWERS

ENTREPRENEURIAL AND/OR ECONOMICALLY
CONSTRAINED BORROWERS
SHOULD HELP RELIEVE DEBT AS
THEY'VE DONE THEIR BEST WITH IT

CORRUPT AND/OR POORLY EDUCATED
BORROWERS
NEED TO MANAGE MORAL HAZARD
AND AVOID RECURRENT DEFAULT

TOTAL
AMNESTY



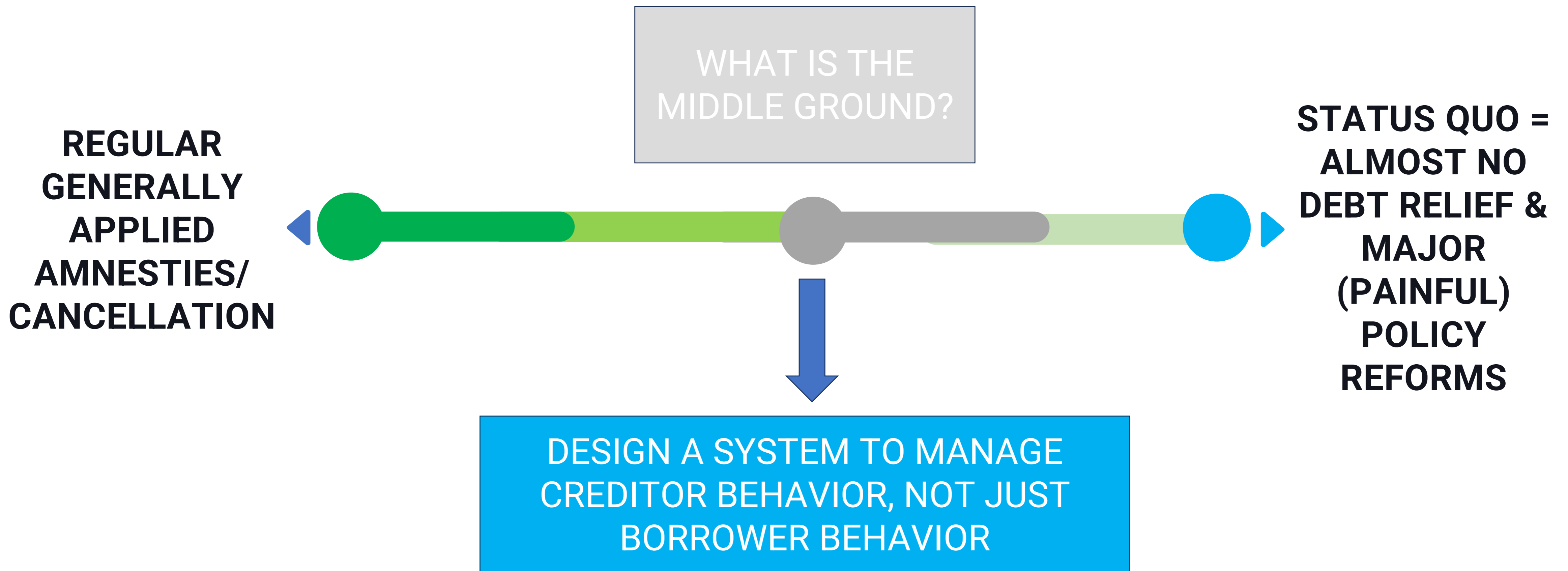
IMPRISONMENT/
PUNISHMENT

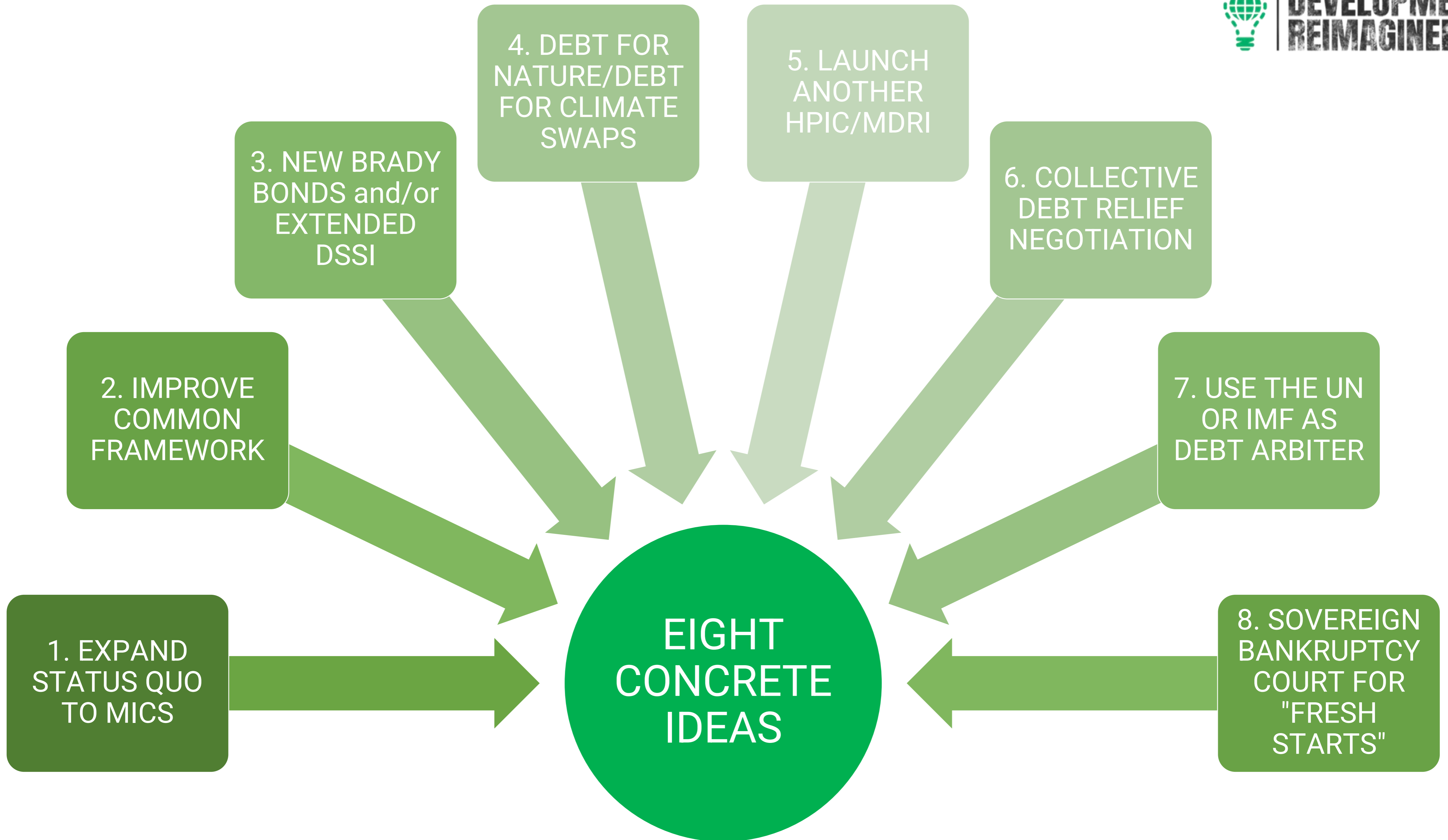
RICHER AND/OR UNSCRUPULOUS CREDITORS
CAN AFFORD TO/ SHOULD BE
GENEROUS

CHARITABLE/CASH-STRAPPED CREDITORS
MORE DIFFICULT TO BE
GENEROUS

ATTITUDE TOWARDS CREDITORS

A STARTING POINT FOR REIMAGINING THE GLOBAL DEBT RELIEF SYSTEM





PROS OF REFORM PROPOSALS

Extend Status Quo (common framework to MICs)	Improve common framework	New Brady bonds and/or Extended DSSI	Debt for Nature/Climate Swaps	Launch a new HPIC/MDRI	Collective debt relief negotiation	Use the UN or IMF as debt arbiter	New global bankruptcy court for "fresh starts"
<ul style="list-style-type: none"> • Familiar system • Could potentially include MDBs, etc. 	<ul style="list-style-type: none"> • Aim for more predictability • Familiar system • Could potentially include MDBs, etc • Could set clear deadlines • Can have more dialogue between borrowers/creditors (e.g. GDSR) 	<ul style="list-style-type: none"> • Could be significant interest rate cut for broad number of borrowers • Helps deal with short-term solvency challenges 	<ul style="list-style-type: none"> • Aim for fair burden sharing between creditors and debtors 	<ul style="list-style-type: none"> • Familiar system • Could potentially include MDBs, etc. 	<ul style="list-style-type: none"> • One-by-one approach to each creditor/ type of creditor • Aim for fair burden sharing between creditors and debtors • Outcome can be borrower-determined terms vis-à-vis each creditor (and type of lending from that creditor) • Policy conditionality minimized (if any) due to uniformity 	<ul style="list-style-type: none"> • Could maintain some principles of CF • Timeline can be adapted depending on urgency of case 	<ul style="list-style-type: none"> • Aim for fair burden sharing between creditors and debtors • Outcome can be based on uniform principles and/or differential terms vis-à-vis creditors or borrowers (and type of lending) • Timeline set by court depending on urgency of case • Policy conditionality not necessary

CONS OF REFORM PROPOSALS

Extend Status Quo (common framework to MICs)	Improve common framework	Launch a new Brady bond round	Debt for Nature/ Climate Swaps	Collective debt relief negotiation	Launch a new HPIC/MDRI	Use the UN or IMF as debt arbiter	New global bankruptcy court for "fresh starts"
<ul style="list-style-type: none"> • Negotiation approach is one-by-one for each borrower • Creditors only make final decision – low bargaining power for borrower • Preserves “comparability of treatment” = race to bottom • Unclear, non-uniform relief terms • Always excludes preferential creditors • Possible for creditor holdouts • Highly conditional on extensive IMF program 	<ul style="list-style-type: none"> • Deadlines for creditors unenforceable (i.e. possible for creditor holdouts) 	<ul style="list-style-type: none"> • Last time was conditional on reforms (but does not have to be!) • If not actual cut in interest rates postpones problem and may lead to higher future servicing 	<ul style="list-style-type: none"> • Very small sums involved • High conditionality on new nature/ climate programme – may be other borrower priorities 	<ul style="list-style-type: none"> • Creditors may only accept this reform if they see interest in it and/ or become more benevolent 	<ul style="list-style-type: none"> • Creditors only make final decision – low bargaining power for borrower • Could potentially include MDBs, etc. • Deadlines unclear • Last time was conditional on reforms (but does not have to be!) 	<ul style="list-style-type: none"> • As proposals are currently formulated maintains one-by-one negotiation for each borrower (Paris-club style) • IMF in particular has conflict of interest as a creditor • UN may also have conflicts of interest 	<ul style="list-style-type: none"> • Unclear what body could do this – may need entirely new body • Creditors may only accept this reform if they see interest in it and/or become more benevolent

REFLECTIONS AND ISSUES FOR DISCUSSION



1

IS THERE AN AFRICAN CONSENSUS THAT THE CURRENT SYSTEM ISN'T WORKING?

2

WHAT CAN WE LEARN FROM OUR EXPERIENCE IN 1980s OF DEBT POSITION COORDINATION, BRADY BONDS, SAPs, HPIC AND MDRI IN THE 1990s AND 2000s?

3

SHOULD THERE BE A NEW AFRICAN UNION DEBT CONFERENCE?

4

WHAT OTHER STRUCTURAL ISSUES NEED TO BE TACKLED TO MAKE THE SYSTEM SUSTAINABLE FOR AFRICAN BORROWERS?



Asanteni!



Merci!

谢谢!

Thank you!

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