

CANCEL AFRICA'S DEBT!

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Call to the African Union, African Heads of State, International Financial Institutions, Chinese Lending Bodies and Private Creditors for a total and unconditional cancellation of African debt!

International financial institutions, Chinese lenders and private creditors must write off the debt!

The debt crisis in Africa has been slow burning and is now vastly aggravated by Covid-19. Sub-Saharan Africa's outstanding public external debt doubled between 2010 and 2018, from US\$160 billion to US\$365.5 billion as of 31 December 2018; it now stands at US\$500 billion. For some countries, debt servicing accounts for more than 25% of their income, and most countries spend more money on debt repayment than they spend on health.

African governments are now struggling to find the money to fight the pandemic and save lives, imperatives undermined by the demands of debt servicing. In contrast, rich countries are investing about 8% of their Gross Domestic Product (GDP), on average, on economic interventions and stimulus measures, while African countries are spending an average of 0.8% of their GDP, which measure hides significant differences across African countries.

African economies, and all productive sectors, are greatly impacted by the pandemic. The collapse of commodity prices and tourism which provides tax revenues and hard currency to many countries, combined with reduced remittances from the African diaspora, further aggravate the situation of many countries whose reserves are rapidly depleting. With the limited foreign exchange reserves countries have left, they will need to choose between investing in health and welfare services to respond to Covid-19 or repaying external debt.

The continent is also a victim of illicit capital outflows with approximately \$850 billion withdrawn from the continent between 1970 and 2008. These illicit flows have crippled African countries and undermined their ability to develop their economies and respond to the unfolding debt and climate crises.

Given all of this, the Covid-19 crisis is likely to trigger large-scale balance-of-payments crises, a sharp decline in production and employment, and a rapid increase in poverty. To avoid this, emerging and developing economies need to have their external debt written off. Humanly speaking, it is better to cancel a debt to meet the needs of citizens than to pay it to creditors.

A moratorium is a limited and inappropriate response

According to the communiqué of the G20 Finance Ministers and Central Bank Governors, the six-month moratorium on debt repayments which has been agreed for 77 countries, 40 of which are in sub-Saharan Africa, could be extended for a further six months. The weak G20 response rests in part on the African Union's (AU) feeble negotiating position which aimed to “relieve” Africa from its debt, in the form of a two-year debt servicing moratorium. In AU's 11 April appeal, there was no reference to debt cancellation, a call which had been made by several African leaders. It appears that Ramaphosa and his special envoys to the G20 merely echoed the proposals made by the World Bank and the International Monetary Fund (IMF) a few days earlier.

This very timid approach of the current AU chairperson has put at ease the “international community” whose equally feeble response does little to alleviate the crisis in Africa. Indeed, the moratorium will suspend, not wipe out the debt service, which totals USD 14 billion across the 77 beneficiary countries. This represents a paltry grant total of around US\$182 million per country.

By comparison, the AU itself has calculated that the continent would need at least US\$200 billion to deal with the Covid-19 pandemic and its economic and social impacts. The moratorium in its entirety represents just 7% of the need calculated by the AU!

In addition, the debt suspension only speaks to payments to other governments, which constitute just over a third of Africa's debt. It does not strictly apply to multilateral development banks, including the World Bank and the IMF, or to private creditors. They have indeed been asked to make the same suspension, but there is no way to enforce their participation. The most significant gaps are the debt owed to China, which is the largest creditor to low-income countries in sub-Saharan Africa, as well as the debt owed to private creditors.

Twelve of the forty African countries, which qualify for the G20 scheme, will be expected to service bond payments totalling \$3 billion over the suspension period. An even larger amount is due in terms of deals with commodity traders, banks, and other entities in this same period. The Chinese offer to cancel interest free loans represents just 5% of their overall debt portfolio on the continent.

The private creditors have not joined the G20 sponsored moratorium and have instead formed the Africa Private Creditor Working Group, which has indicated its opposition to a “blanket approach” to debt negotiations, and will engage individual countries, weakening the possibility of a unified Pan African response.

This extremely limited moratorium, however long it lasts, is not the right solution in these exceptional circumstances, because it is a deferred repayment that will continue to hang over the heads of African countries like the Sword of Damocles. Most additional flows, such as “aid” from the World Bank, the IMF, and most bilateral “partners” to respond to the Covid-19 crisis, will be in the form of loans that will only inflate the external debt of these countries. Bilateral debt relief to a few countries will likely result in the diversion of freed funds towards private creditor settlements.

Exceptional circumstances require exceptional decisions. In this case, the cancellation of Africa's public debt is a response commensurate with the enormous challenges facing the continent.

The legitimacy of cancelling Africa's public debt

To deal with the pandemic, only debt cancellation could help put resources at the disposal of African countries and end debt service which sits in the region of 10 and 13% of their national budgets.

The application for annulment is legitimate for several reasons. Firstly, because the urgency of the situation requires countries to mobilise enormous resources, their own resources, to save thousands, if not millions of lives and to deal with the economic and social impacts of the pandemic. United Nations Economic Commission for Africa (UNECA) estimates that nearly 300,000 Africans are at risk of dying and a further 30 million are at risk of impoverishment because of Covid-19. Cancellation is especially legitimate given the conditions under which some of those debts were incurred.

The demand for African debt cancellation is more than legitimate in view of the massive capital flight and illicit financial flows that are sapping Africa of its wealth and going to tax havens in the G20 countries or in territories under their control.

Debt cancellation is also legitimate considering the enormous Covid-19 relief packages being put in place by the G20 countries. Africa's debt is estimated at US\$365 billion this year which equals 16.6% of the US\$2.2 trillion response plan adopted by the United States (US), and 42% of the recently announced European Union (EU) joint debt economic relief package. The G20 has promised to mobilize US\$5 trillion to revive the global economy. African debt accounts for just 7.3% of this amount. Africa's debt service, estimated at some US\$50 billion in 2020, corresponds to 1% of the amount to be mobilized by the G20 or 2.3% of the US plan.

Covid-19 meets a multiplicity of other crises, including the climate crisis which is fuelling war, civil conflict, displacement, and rising hunger. Africa has 16 percent of the world's population but emits just 4 percent of global co2 emissions, a figure skewed by South Africa's very significant emissions contribution. As has been well articulated by the global Climate Justice movement and set out in the now eclipsed United Nations Framework Convention on Climate Change (UNFCCC) Paris Climate agreement there is differentiated historical responsibility for the climate crisis. The average North American emits 17 times more carbon than the average African, who carries the burden of global climate fallout. There is thus a great climate debt owed to Africa from the G20 and other wealthy countries. The sovereign debt write off can therefore also be justified as a small contribution to settling the climate and ecological debt owed to Africa. See African Climate Justice Convergence [statement](#) on Covid-19 and the climate crisis.

With most of the G20 countries holding an explicit commitment to women's rights, debt cancellation is very probably the most significant intervention that could be made to advance this objective. Conditionalities attached to loans often require that governments reduce expenditures in critical public services and benefits such as health, education, social protection, agricultural subsidies, and gender-based violence education and response services. Given a commonplace gender division of labour which places responsibility for care disproportionately in the hands of women, Covid-19 exacerbates the burdens upon women as health services crippled by decades of structural adjustments and privatisation are unable to care for the sick. See the [statement](#) of the WoMin African Alliance on Covid-19.

Finally, debt cancellation is even more legitimate from a moral point of view, even if morality is not part of the values of those who rule the world. One cannot understand the weak, not to say indifferent, response of the "international community" to all the warnings of 'chaos', death and the absolute collapse of several countries being issued by the United Nations (UN), World Health Organisation (WHO) and

Foreign Affairs Ministries in G20 countries. The paltry debt relief response is an amoral and cruel response to the crisis which African countries sit with.

African countries should pursue the option of cancellation, which has the support of the United Nations Conference on Trade and Development (UNCTAD), as well as the French President and is reinforced by the moral support of Pope Francis. The call for cancellation is also supported by the Committee for the Abolition of Illegitimate Debt (CADTM), as well as members of the Jubilee movement in North America, Europe and the South, who are calling for debt cancellation for the most vulnerable countries, including many African countries.

Bilateral, including Chinese, creditors as well as the multilateral banks must be made to understand that this cancellation would be the most concrete proof of their “solidarity” with Africa and its peoples as they confront the Covid-19 pandemic, amid many other crises. And the private creditor vultures must be challenged to stop their profiteering off highly distressed African countries and peoples.

Pure and unconditional debt cancellation is economically possible

According to data published by the CATDM (www.catdm.org), the global debt amount of countries eligible for the G20 initiative (including other poor countries outside of Africa) is estimated at just over US\$750 billion, i.e. 1% of the G20's GDP in 2019 (USD 78,286 billion dollars). The pure and simple, unconditional cancellation of the debt is economically quite possible, but there is no political will to consider it.

While the IMF has strengthened a trust fund to enable the poorest countries to repay part of their debts, the contribution does not come from its capital. The funds come from the donations of rich countries. However, the scale of the economic crisis facing the developing countries requires the IMF to go much further. The IMF has US\$27 billion in reserves and over US\$135 billion in gold. It can afford to write off more debts, and now is the time to do so. The cancellation of payments must be extended to a much larger group of developing countries for the rest of the year.

Private creditors have built windfall profits from loans to African countries, and the speculators amongst them, the so-called vulture funds, have earned returns of 300% and 2,000% through the cheap purchase of debts of 15 African countries. Against this backdrop, it is incomprehensible why the richest countries in the world, the EU, the Chinese and private creditors are finding it difficult to completely write off the debt of eligible countries. A complete cancellation as recommended by France would create no danger for rich countries which, in ordinary times, do not hesitate to aggressively negotiate advantageous fiscal conditions in Africa or guarantees of lucrative investments for their companies. Debt cancellation is not “aid” but reparation and a right for the people who have been wounded and sacrificed on the altar of repaying odious and illegitimate debts, and who bear the brunt of the climate crisis.

CATDM and WoMin, as well as the undersigned organisations, demand the following:

- African Heads of State, in particular President Cyril Ramaphosa, current Chairperson of the AU, should call for the total and unconditional cancellation of the African debt, which is the only solution to ease the social and economic impacts of the debt and health crises.
- Countries should conduct an audit of their debt as soon as possible, with citizen participation, to repudiate those debts that are illegitimate, illegal, and/or odious.

- Countries of the South should create a united front against the payment of illegitimate debts, as proposed by Thomas Sankara in 1987 at the meeting of the Heads of State in Ethiopia.
- Countries should take unilateral measures to free up financial resources to protect their populations and ensure the fulfilment of fundamental human rights. In this regard, international law can be invoked for at least three arguments: state of necessity, fundamental change of circumstances and force majeure.
- International finance institutions, private creditors, States of the North, and China should take note of the current health, economic and political situation in Africa, recognize their responsibilities and accept without concession the call for debt cancellation by African peoples and African States.
- Public and private external debt, as well as public domestic debt, should be cancelled to enable the countries of the South to enable economic recovery and social resilience in the post-Covid-19 world. Development policy priorities should focus on expanding essential public services under citizen control, promoting food and energy sovereignty, and respecting the rights to land and natural resources of women, peasants, indigenous communities etc.
- The systematic promotion of the private sector, in particular through the mechanism of Public Private Partnerships (PPPs), to finance the development of the countries of the Global South for the benefit of sponsoring countries and their corporations, and the further privatisation of public services and assets should be rejected.
- G20 and other powerful countries should commit to closing all loopholes for tax evasion, trade mis invoicing, unlawful transfer pricing, and the corruption of government officials by corporations headquartered in their territories.
- “Ill-gotten goods” by the rulers and dominant classes of the South should be expropriated and handed back to the populations concerned and placed under their control.
- Official development assistance should be replaced with an unconditional “contribution of reparation and solidarity” in the form of donations, including the settlement of the climate debt.
- The ecological and climate debt owed towards the countries of the South should be recognized and reparation and/or compensation provided by imposing taxes or fines on the corporations responsible for the pollution.
- The immediate suspension of loan repayments to microcredit institutions without interest and late payment penalties. In a post-Covid context, these microcredit institutions should be transformed into self-managed savings and credit cooperative with zero interest rate and no clientelism.