

To the attention of

German G7 Presidency Federal Finance Minister Christian Lindner
All other G7 Finance Ministers

Ref.: Concerns and recommendations regarding the worsening debt situation in African countries and the role of the private sector – G7 and African finance ministers’ meeting in Washington

27 September 2022

Dear Ministers,

on the occasion of the G7 and African finance ministers’ meeting in October 2022 alongside the IMF and World Bank meetings in Washington, the undersigned civil society organisations are writing to you with concerns regarding the highly challenging debt vulnerabilities and fiscal conditions in many African countries in the face of multiple crises and the lack of decisive political action to address inefficiencies in the resolution of debt crises.

The current crisis was accelerated by the Covid-19 pandemic, has been exacerbated by the Ukraine-Russia War, and is being prolonged by the climate emergency. 23 African countries are either in or at risk of debt distress as of February 2022¹. This situation is likely to lead to at least 20 million additional people falling into extreme poverty, if Africa’s 16 riskiest countries fall into debt distress. The unbearable burden of debt servicing in 2022 alone is estimated to cost African countries \$64 billion, almost twice the bilateral aid the region is receiving.²

Among those countries with the highest debt vulnerabilities, there are countries both eligible and non-eligible for the G20 Common Framework. We are concerned that the slow progress and uncertainties of the Common Framework discouraged countries that are eligible from seeking debt treatments despite the imminent threat of debt crisis and the negative consequences on social and economic well-being. Debt-vulnerable countries cannot afford to be “patient” until the Common Framework may become of relevance for them. Reconfiguring the global debt relief architecture will be crucial in supporting debt-ridden African countries’ transition toward a path of sustainable debt in the medium to long term.³

While one of the priorities of the G7’s Finance Track under German presidency is achieving sustainable debt treatments for debt-vulnerable countries and improving the implementation of the G20 Common Framework, we deeply regret that the G7 finance ministers’ meeting in May and the G7 leaders’ summit in June were not used for serious and inclusive discussions about how to improve debt restructuring processes including the Common Framework. While

¹ 7 countries are in debt distress, 16 countries are at high risk of distress; and 15 African countries are at moderate risk of debt distress.

² <https://www.one.org/africa/issues/covid-19-tracker/explore-debt/>

³ This includes reinstating an improved DSSI and reconfiguring the Common Framework, see <https://www.afdb.org/en/documents/african-economic-outlook-2022>.

the G7 finance ministers' communiqué from 19 May 2022 recognizes the urgency to improve multilateral frameworks for debt restructuring, we see with concern that no concrete measures in the power of the G7 have been taken, while appeals to private sector involvement in debt restructurings have just been repeated without any reform initiative.

Moral appeals to private creditors to contribute to crisis resolution have not been successful so far. This is also proven by historical evidence: over the last 30 years, private creditors have typically been paid first and lost less money than official creditors. Since the pandemic, private creditors have repeatedly used the narrative that debt relief is ultimately not in the interest of the debtor country, as it would deprive it of access to new funds on the capital market. Empirically, however, this is not true.

Bailing out risky private lending with taxpayers' money is not in the interest of G7 countries. A high number of private creditor institutions are based in Western countries, and a large number of contracts – including virtually all international bond contracts – are governed by English or New York law.⁴ Therefore, G7 members have both the opportunity and the responsibility to agree on measures that guarantee the inclusion of private creditors. It is regrettable that, so far, the opportunities during the German G7 presidency have not led to concrete initiatives.

As early as 2020, there have been calls and proposals by decision-makers in the Global South for elements of a new global financial architecture, from [Ghanaian Finance Minister Ken Ofori-Atta](#) in 2020, to the [UNECA communiqué of the African Ministers of Finance, Planning and Economic Development](#) and [the Marrakech Declaration by African governors of the IMF and World Bank](#) in 2022, calling for reforms to build more confidence in debt treatments and a roadmap for rapid and comprehensive debt relief. We see the G7 and African finance ministers meeting as an opportunity for the G7 to bring words to action and involve African countries as [rule makers](#) in the redesign of the international debt architecture, as repeatedly called for by [African civil society](#).

We, the undersigned, therefore call on the G7 finance ministers to do the following:

- The G7 should announce at the meeting coordinated legislative action to ensure creditors owed debts governed by G7 country law take part in internationally agreed debt relief mechanisms, including the Common Framework. All members of the G7 should agree on a set of similar legal provisions, which would guarantee that no private lenders could use G7 country courts to undermine internationally agreed debt relief. National legislation is a key option G7 members have to reform the global financial architecture. It would also show to other members of the G20 that G7 states are willing and able to put pressure on their creditors to take part in debt relief, and so make it more likely other G20 members will agree to improvements to the Common Framework.
- Support and promote an inclusive intergovernmental discussion about the Common Framework and further reforms needed in the international debt architecture. This is also in line with calls by the IMF for exploring options for a [“globally cooperative approach”](#) that would also be aligned to the needs of the broader range of debt-vulnerable countries that are not eligible for the Common Framework as well as with calls by the [UN Secretary General for measures to provide immediate debt relief and long-term debt sustainability](#). The G7 under the German presidency should take up initiatives and proposals put forward by debt-vulnerable countries themselves and

⁴ <https://www.imf.org/~media/Files/Publications/PP/2017/pp113017third-progress-report-on-cacs.ashx>

actively seek the dialogue on the design of a “globally cooperative approach” with those concerned.

- Ensure that it is not debtor countries that will be sanctioned, if negotiations at the G20 on the Common Framework fail to reach results soon enough, such as through holding back the disbursement of IMF funds or other bridging finance, if the lack of progress in debt restructuring negotiations is due to uncooperative behaviour on the creditor side. The G7 should promote within the IMF the use of lending-into-arrears policies more proactively and themselves support the debtor politically and financially to default on recalcitrant creditors, to increase pressure on (non-)participating creditors to participate in debt restructuring negotiations constructively. Instead of only discussing specific time- and guidelines for Common Framework procedures, the G7 should promote clarifying the potential outcome, should creditors delay the debt restructuring process.

We would welcome your response to our concerns and recommendations.

Yours faithfully,

The undersigned organisations

1. African Sovereign Debt Justice Network (AfSDJN)
2. African Forum and Network on Debt and Development (AFRODAD)
3. erlassjahr.de - Entwicklung braucht Entschuldung e.V. (Jubilee Germany)
4. Debt Justice UK
5. European Network on Debt and Development (EURODAD)
6. Jubilee USA Network
7. German NGO Forum on Environment and Development
8. Action for Southern Africa (ACTSA), UK
9. Global Policy Forum
10. Indienhilfe e.V., Germany
11. Jubilee Scotland, UK
12. Christian Aid, UK
13. Ghana Freundeskreis e.V., Germany
14. Gender and Development Network (GADN), UK
15. Oxfam International
16. MISEREOR, German Catholic Bishops' Organisation for Development Cooperation
17. Arbeitskreis Eine Welt/REL - Gemeindepартnerschaft in der Einen Welt, Germany
18. CAFOD, UK
19. Tanzania Coalition on Debt and Development (TCDD)
20. The International Trade Union Confederation-Africa (ITUC-Africa)
21. Africa Development Interchange Network (ADIN)
22. Tax Justice Network Africa (TJNA)
23. African Parliamentary Network on Illicit Financial Flows and Tax (APNIFFT)
24. Zimbabwe Coalition on Debt and Development (ZIMCODD)
25. Southern African People's Solidarity Network (SAPSN)
26. African Network for Environment and Economic Justice (ANEEJ)
27. Transparency International-Zimbabwe Chapter (TI-Z)
28. Southern and Eastern Africa Trade Information and Negotiation Institute (SEATINI)
Uganda
29. The Nawi Collective
30. Trust Africa
31. New York Communities for Change
32. Social Justice in Global Development, Germany
33. Dillinger Franziskanerinnen, Deutsche Provinz
34. Bond, UK (British Overseas NGOs for Development)
35. Koordinierungskreis Mosambik (KKM), Germany

36. Malawi Economic Justice Network (MEJN)
37. The Initiative for Social and Economic Rights (ISER) - Uganda
38. East African Tax and Governance Network (EATGN)
39. Institute for Economic Justice (IEJ)
40. Africa Centre for People Institutions and Society (ACEPIS)
41. Centre for Trade Policy and Development (CTPD) Zambia
42. Zambia Civil Society Debt Alliance
43. Brot für die Welt (Bread for the World), Germany
44. Institut SÜDWIND, Germany
45. Public Services International (PSI)Africa and Arab Country Region
46. Oxfam in Kenya
47. Mission EineWelt, Centrum für Partnerschaft, Entwicklung und Mission der Evang.-Luth. Kirche in Bayern
48. Plateforme Française Dette et Développement (PFDD), France
49. North-East Affected Area Development Society (NEADS)
50. CROCHET, Chad
51. Le Laboratoire de recherches économiques et monétaires (LAREM), Senegal
52. Center for Popular Democracy (CPD), USA

Contact person for responses

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