

## STATEMENT TO THE G7 – AFRICAN FINANCE MINISTERS MEETING AND IMF/WORLD BANK ANNUAL MEETINGS

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We, Faith Leaders from Africa, write to you the Group of 7 and African Finance Leaders as our Continent tries to cope with an unprecedented confluence of crises. A fallout from the pandemic led to economic contraction of more than 3% and reversed years of development progress. After two decades of poverty reduction, more than 40 million Africans fell into extreme poverty since 2020.

Though we are aware of the numbers, as Religious Leaders, we are called to comfort on a day-to-day basis the least fortunate in our societies, the human faces of those compounding crises, and can attest to their deep sorrow and suffering. These concerns have engaged our consistent attention since the beginning of this year (2022) and especially during our recent meeting of Faith Leaders in Accra, Ghana from the 3 – 5 October, 2022. We continue to be inspired by His Holiness, Pope Paul VI in his 1967 Encyclical on Development in, *Populorum Progressio* (#13) where he launched a powerful appeal for cooperation through “individual and group effort”. Saint Pope John Paul II reconfirmed the need for collaboration in his 1987 Encyclical, *Sollicitudo Rei Socialis* (#32).

Economic trends promise further upheaval. Less than three years after the biggest global recession in a century, the threat of recession looms again. The shock of the Russia-Ukraine war, the highest food and energy inflation in several decades, worsening drought in the Horn of Africa and the concerted interest rate hikes in the major economies threaten to derail our fragile recovery. Their effects already led to the fastest rises in hunger in our continent, where food crises already affect 346 million people, and which is at the forefront of climate losses and vulnerabilities.

Budget shortfalls and unpayable debts have reduced the room our countries have to take the needed actions to protect the most vulnerable and restore prosperity.





We ask that the G7 and African Finance Leaders work on, and promote through their voice in the G20 and IMF Annual meetings, the following priority actions to enable Africa's recovery with resilience and resumption of progress towards the Sustainable Development Goals and the Paris Agreement.

## I. Resolve Current Debt Crises

The first priority is to remove the crushing burdens of unpayable debts, a call that we find consistently in the voice of leaders of diverse religious traditions, certainly those of the Catholic Church. Saint Pope John Paul II said in 1999 that "Debt relief is ... urgent. It is, in many ways, a precondition for the poorest countries to make progress in their fight against poverty."<sup>1</sup> Last year, Pope Francis said that "Relieving the burden of debt of so many countries and communities today, is a profoundly human gesture that can help people to develop, to have access to vaccines, health, education and jobs."<sup>2</sup>

Two years after its launch, the G20 debt relief initiative – the "Common Framework for Debt Treatments Beyond the Debt Service Suspension Initiative" – has yet to deliver debt reductions for any applicant. Its uncertainty, functioning and timeframes make borrower countries hesitant to even approach it.

The G7 should spearhead the establishment of processes that bring together public and private creditors for timely, speedy and orderly debt crises resolution, and grant borrowers a stay on debt payments while they reach agreement with all creditors.

Debt relief assessments should be reformed to enshrine the principle that human development and climate investments come before debt payments.

G7 countries, as key debt governing jurisdictions, should pass domestic legislations that prevent private creditor litigation from undermining international debt relief efforts.

## II. Mobilize Special Drawing Rights

The creation of \$650 billion in Special Drawing Rights (SDRs) for coronavirus response and recovery has enhanced stability and supported funding for vaccines, health and social protection, and economic stimulus programs in many African countries. We believe SDRs have a much more

<sup>1</sup> Message of the Holy Father to the Group "Jubilee 2000 Debt Campaign," September 23, 1999.

<sup>2</sup> Message of His Holiness Pope Francis to the World Bank Group and International Monetary Fund, April 7, 2021.



significant role to play in supporting health, education, food and social investments, climate adaptation and the achievement of the Sustainable Development Goals.

We note with regret that, in spite of pledges made by rich countries to rechannel USD 100 billion of their SDRs, this promise remain unfulfilled to date. We join other voices in calling on rich countries to rechannel a significant portion of their stock of more than \$400 billion in Special Drawing Rights to African countries. Rechanneling at such scale requires innovation in intermediating vehicles at the IMF and beyond. We especially want to highlight, in our region, the enormous potential of rechanneling through the African Development Bank. Whatever other methods of rechanneling are used, they should avoid new debt and harmful conditions, such as budget cuts for human development or access to essential services.

To enhance accountability on the contributing side, the IMF should be tasked to periodically report on SDR rechanneling pledges, commitments and disbursements. Recipients, on the other hand, should commit to transparent and participatory processes to determine the destination of received SDRs. Ultimately, the more we can see SDRs benefitting our people, the greater support there will be in donor countries to do more with them.

The G7 should also support further creations of Special Drawing Rights, and spearhead a review of the criteria for their distribution so that it aligns with the needs of recipients.

### **III. Prevent Fiscal and Debt Crises - Going Forward**

While bringing debts down is critical and urgent, policies need to lay out the foundations for a lasting exit from debt crises. Preventing future debt crises requires the adoption of responsible lending and borrowing rules and standards, including debt contract disclosure and authorization frameworks. Both creditor and borrower countries have a responsibility in supporting compliance with such standards through their own laws and policies.

Borrowers should not continue to shoulder alone the weight of external shocks, which are increasingly frequent and put their poorest at risk. Debt contracts should include clauses that fairly allocate the risks of natural disasters and other shocks between creditors and debtors.

We call for increase concessional, long-term financing through a mix of capital increases and reforms to rules that govern capital use in development banks. These institutions can most efficiently use capital and provide loans in times of crisis, but their resources are far from sufficient to meet 21<sup>st</sup> century challenges. At the same time, scaled up resourcing for these institutions should go hand in hand with strengthening policies and processes that counter corrupt practices and secure debt transparency and sustainability.



#### **IV. Improve Domestic Governance and Accountability**

While poor countries; especially in the African Continent, are generally fettered by a disabling international policy environment, including terms of trade, much needs to be done at domestic public policy level to enhance confidence of citizens and improve domestic resource mobilization. We call on the respective Heads of State to improve governance by promoting transparency, inclusion and accountability for public and natural resources. Whereas economic management is a technical function of state governance that is often delegated to the Finance Ministers, Heads of State need to take ultimate responsibility for promoting an economy that is at the service of their citizens, the environment and the general common good.

#### **Conclusion**

Finally, we re-emphasize the view that the world is in urgent need of greater justice, both within national communities and at the international level. We therefore call for honest and committed dialogue to deliver this much needed justice for the common good.

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