

# Policy Briefing

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## How to get Africa Out of Debt

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### Recommendations

- Extend the DSSI to four years, if necessary, and persuade private creditors to join the initiative.
- Ensure that MDBs participate in debt relief at least indirectly by providing the equivalent of the debt service owed to them by DSSI countries in the form of grants or highly concessional financing.
- Reallocate a substantial quantity of International Monetary Fund (IMF) Special Drawing Rights held by rich countries that do not need them right now to low- and middle-income countries that do – including African countries.
- Get the UN to convene a conference of stakeholders to devise a permanent forum for monitoring, restructuring and, if necessary, cancelling unsustainable debt. This must include strict and binding measures to ensure responsible lending and borrowing to avoid yet another debt crisis.

# Executive summary

Many African countries were already in debt distress before COVID-19, and the pandemic has made it worse, lifting average debt-to-gross domestic product (GDP) ratios from about 60% to 70%. The G20/Paris Debt Service Suspension Initiative (DSSI) was introduced to suspend official bilateral debt service payments of the poorest countries from 1 May 2020 until the end of the year, releasing funds for them to tackle the pandemic. It has now been extended until June 2021. But much more is needed. Private creditors and multilateral development banks (MDBs) have not joined and some eligible DSSI countries have elected not to participate, for fear of being downgraded by credit rating agencies. In addition, many African countries are facing not just temporary liquidity crunches but also long-term solvency crises. The UN should convene a global forum of stakeholders to find a permanent solution to indebtedness. This should include binding measures to ensure responsible lending and borrowing to forestall yet another broad debt crisis.

## Introduction

Although Africa has had fewer COVID-19 infections and deaths than initially predicted, its economic impact has still been devastating. The IMF forecasts a 3.2% shrinkage of the sub-Saharan African economy in 2020:<sup>1</sup> 6.8 percentage points lower than pre-COVID predictions.<sup>2</sup>

The collapse in Africa has been worsened by African governments' lacking the revenue to significantly reflate their economies.

South Africa's former finance minister Trevor Manuel says that while the US, for example, has spent \$3 trillion to keep its economy afloat – with another \$2.2 trillion in the pipeline – it will be a 'stretch' for African countries even to raise the \$100 billion that, according to the AU, is the bare minimum the continent needs to fight COVID-19 and revive its economies.<sup>3</sup>

Between 28.2 and 49.2 million more Africans could be pushed into extreme poverty as an estimated 24.6 to 30 million jobs could be lost owing to the pandemic.<sup>4</sup>

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1 International Monetary Fund, "Sub-Saharan Africa Regional Economic Outlook Update, June 2020: A Cautious Reopening", Press Release 20/249, June 29, 2020, <https://www.imf.org/en/News/Articles/2020/06/27/pr20249-sub-saharan-africa-a-cautious-reopening>.

2 International Monetary Fund, "Sub-Saharan Africa Regional Economic Outlook: Navigating Uncertainty, October 2019", October 1, 2019, <https://www.imf.org/en/Publications/REO/SSA/Issues/2019/10/01/sreo1019>.

3 Trevor Manuel (Special Envoy appointed by AU Chairperson, South African President Cyril Ramaphosa), interview by Peter Fabricius, September 2020.

4 African Development Bank, *African Economic Outlook 2020 Supplement: Amid COVID-19* (Abidjan: AfDB, 2020), [https://www.afdb.org/sites/default/files/documents/publications/afdb20-04\\_aeo\\_supplement\\_full\\_report\\_for\\_web\\_0705.pdf](https://www.afdb.org/sites/default/files/documents/publications/afdb20-04_aeo_supplement_full_report_for_web_0705.pdf).

This policy briefing reflects on the fiscal impact of COVID-19 on African countries and unpacks the implications on these countries' external debt. It looks at how foreign creditors, in particular bilateral donors and the private sector, can work with African partners to better manage existing debt and address long-term debt sustainability.

## Africa, debt and COVID-19

Even before the COVID-19 crisis, many African countries were grappling with rising external debt, which on average had risen to 60% of GDP in 2019 – almost double the level of 2013, according to the African Development Bank (AfDB).<sup>5</sup> Many countries had borrowed heavily during the commodity boom years, often to finance ambitious infrastructure projects.<sup>6</sup> Several had gone beyond cheaper sources of credit such as the World Bank to tap dearer, non-concessional lenders.<sup>7</sup>

Then commodity and oil prices fell, international protectionism rose, the global economy slowed, and they began running into difficulties in servicing their significantly larger debts. Before COVID-19, eight African countries were already in debt distress. Another 13 were at high risk of debt distress; 14 faced moderate risk.<sup>8</sup> As the IMF remarks, many of these countries had predicated their expansion of credit on projections of high growth and ambitious fiscal consolidation over the next five years. They were not prepared for shocks. And certainly nothing like COVID-19.

### COVID-19 deepens debt

The COVID-19 pandemic has worsened their debt distress. The AfDB predicts already high debt-to-GDP ratios will rise by up to 10 percentage points in 2020 and 2021.<sup>9</sup> South African President Cyril Ramaphosa, speaking as the 2020 AU chairperson, has said that in 2020 government revenues in Africa were estimated to drop by \$45 billion from the pre-COVID forecast.<sup>10</sup> According to the AfDB, the pandemic will create an additional public sector financing gap of \$122 billion.<sup>11</sup> Ramaphosa said this would further compound African

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5 AfDB, *African Economic Outlook 2020*.

6 World Bank, *Global Economic Prospects*, June 2020 (Washington DC: World Bank, 2020), <https://openknowledge.worldbank.org/handle/10986/33748>.

7 IMF, "The Evolution of Public Debt Vulnerabilities in Lower Income Economies" (Policy Paper 20/003, IMF, Policy & Review Department, Washington DC, 2020), <https://www.imf.org/en/Publications/Policy-Papers/Issues/2020/02/05/The-Evolution-of-Public-Debt-Vulnerabilities-In-Lower-Income-Economies-49018>.

8 Deborah Brautigam, Yufan Huang and Kevin Acker, "Risky Business: New Data on Chinese Loans and Africa's Debt Problem" (Briefing Paper 3, China Africa Research Initiative, Johns Hopkins School of Advanced International Studies, Baltimore, 2020), <http://www.sais-cari.org/publications-briefing-papers-bulletins>; IMF, "Debt Sustainability Framework for Low Income Countries" (Factsheet, IMF, Washington DC, March 12, 2020), <https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/39/Debt-Sustainability-Framework-for-Low-Income-Countries>.

9 AfDB, *African Economic Outlook 2020*.

10 South African Government, "President Cyril Ramaphosa: Handover Ceremony of the AfCFTA Secretariat", Press Release, August 20, 2020, <https://www.gov.za/speeches/president-cyril-ramaphosa-handover-ceremony-afcfta-secretariat-20-aug-2020-0000>.

11 AfDB, *African Economic Outlook 2020*.

countries' high levels of debt service costs, which had increased to roughly \$40 billion annually, driven up by the depreciation of many African currencies in 2020. This was 'likely to trigger a debt crisis and potentially a default by some countries', Ramaphosa warned.<sup>12</sup>

Zambia may be the first to default. In September it asked bondholders to defer interest payments for six months, raising fears of a domino effect and reputational damage for all African economies. Fitch, a credit rating agency, downgraded Zambia and warned of the likelihood of a series of defaults across sub-Saharan Africa, particularly by Angola, the Republic of Congo, Gabon and Mozambique.<sup>13</sup>

## The DSSI

On 15 April 2020 the G20 and Paris Club announced the DSSI to help low-income and least-developed countries manage the pandemic.<sup>14</sup> The initiative would suspend their debt service – interest and principal payments – on official bilateral loans from G20 and Paris Club member countries from 1 May 2020 until the end of 2020.

This freed-up money should be used to address the health, social and economic fallout from the pandemic. Beneficiaries would essentially not be allowed to incur further non-concessional loans outside the DSSI. The suspended debt service would be repaid, after a one-year grace period, over three years – from 2022 to 2024. G20 leaders also urged non-G20, non-Paris Club government creditors, as well as multilateral banks and private creditors, to join the DSSI. A total of 73 debtor countries qualify for the DSSI, of which 38 are African.<sup>15</sup>

### Disappointing response to the DSSI

So far, though, the response has been rather disappointing. By early October, 29 of the 38 eligible African countries had joined the DSSI.<sup>16</sup> Several others, like Nigeria, Kenya, Ghana and Rwanda, opted out because they have access to private capital markets and would be prevented from tapping into them under the DSSI terms – or feared they would be downgraded by credit rating agencies if they did participate.

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12 South African Government, "President Cyril Ramaphosa: Handover".

13 Fitch Ratings, "Zambia Downgrade Highlights Risk of African Sovereign Defaults" (Rating Action Commentary, Fitch Ratings, New York, April 16, 2020), <https://www.fitchratings.com/research/sovereigns/fitch-downgrades-zambia-to-cc-16-04-2020>.

14 Group of Twenty (G20), "Communiqué of G20 Finance Ministers and Central Bank Governors Meeting" (Virtual Meeting, G20 Riyadh Summit, October 14, 2020), [https://g20.org/en/media/Documents/FMCSBG%20Communiqu%C3%A9\\_English\\_14October\\_2020\\_700pm.pdf](https://g20.org/en/media/Documents/FMCSBG%20Communiqu%C3%A9_English_14October_2020_700pm.pdf).

15 Angola, Benin, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Côte d'Ivoire, Democratic Republic of Congo, Djibouti, Ethiopia, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Republic of Congo, Rwanda, Senegal, Sierra Leone, Somalia, South Sudan, São Tomé and Príncipe, Tanzania, Togo, Uganda and Zambia.

16 World Bank, "COVID-19: Debt Service Suspension" (Brief, World Bank, Washington DC, June 19, 2020), <https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative>.

On the creditor side, in practice the DSSI has not gone much beyond the Paris Club and China. Private creditors and multilateral banks have not come on board.

The 29 African countries participating in the DSSI owe official bilateral creditors a total of \$5.29 billion in debt service between 1 May and the end of the year.<sup>17</sup> On 1 September 2020, the Paris Club announced that 28 of the DSSI-eligible countries (20 of them African) had so far signed agreements with the club to defer a total of just \$1.8 billion of debt service.<sup>18</sup>

Since then the Paris Club has announced agreements to suspend the debt service payments of four more African countries – Lesotho, Mozambique, Madagascar and Tanzania. Negotiations with the remaining five African DSSI-eligible countries are believed to be underway. Most of the rest of the \$5.29 billion is owed to China, which announced in October that it had thus far signed agreements to suspend the debt service of 11 African countries.<sup>19</sup>

Of the total of \$278.35 billion in public and publicly guaranteed external debt that the 38 DSSI-eligible African countries owed in 2018, 41.3% was owed to MDBs, 27.2% to private creditors, 20.7% to China, and 10.7% to other bilateral official creditors (governments).<sup>20</sup>

## The special role of China

China's participation in the DSSI has been controversial. Beijing has said its public banks would participate, but not the China Development Bank (CDB) because it is a 'private bank' and the private banks of other countries are not participating.

This has annoyed other creditors such as the G7, which believes that as a large, state-owned, 'government-controlled financial institution' the CDB should be classified as an official bilateral creditor – not a commercial lender.

Some scholars also believe that the CDB should participate in the DSSI.<sup>21</sup> However, the CDB is not a major creditor to African nations – except Angola, a DSSI participant, where the CDB accounts for about 75% of all official Chinese loans. Apart from Angola, the CDB's loans to African countries eligible for the DSSI amount to less than \$2 billion.<sup>22</sup>

The China Export-Import Bank is China's largest official lender to Africa, with \$82 billion in loans. Some scholars suggest that focussing on the CDB 'obscures the larger issue', which

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17 World Bank, "Covid-19: Debt Service Suspension".

18 Paris Club, "Progress on the Implementation Debt Service Suspension Initiative", September 1, 2020, <https://clubdeparis.org/en/communications/press-release/progress-on-the-implementation-of-the-debt-service-suspension>.

19 "Chinese Bank Signs Debt Service Deals with 11 African Countries", *South China Morning Post*, October 11, 2020, <https://www.scmp.com/news/china/diplomacy/article/3105290/chinese-bank-signs-debt-suspension-deals-11-african-countries/>.

20 Brautigam, Huang and Acker, "Risky Business: New Data".

21 Deborah Brautigam, "China, the World Bank, and African Debt: A War of Words", *The Diplomat*, August 17, 2020, <https://thediplomat.com/2020/08/china-the-world-bank-and-african-debt-a-war-of-words/>.

22 Brautigam, "China, the World Bank".

is that multilaterals, bondholders, and private lenders that are not currently providing debt relief will be collecting 61% of the debt service of the African DSSI countries this year while China will collect only 27%.<sup>23</sup>

## Role of MDBs is also contentious

The World Bank, IMF and various MDBs say they cannot participate in the DSSI as they believe this could jeopardise their Triple-A Plus status as most preferred creditors and therefore raise their interest rates to the very countries they are trying to help.<sup>24</sup>

This approach has led to a spat between China, which has criticised the World Bank for not participating,<sup>25</sup> and World Bank president David Malpass, who has retaliated by saying the CDB should participate.<sup>26</sup> However, some suspect this skirmish was just part of the wider political and economic row between the Trump administration and China, as Malpass is an American and a Trump appointee.<sup>27</sup>

South African Treasury official Mfundo Hlatshwayo says that if MDBs will not participate in the DSSI, they should at least ensure a net positive capital flow to low-income countries during the pandemic.<sup>28</sup>

To that end, the World Bank announced that from April to September 2020 it had committed \$14.8 billion in financing for countries participating in the DSSI, of which \$5.4 billion was in the form of grants. It had already disbursed \$8.1 billion – including \$2.6 billion in grants – to these countries. ‘The total disbursement amount is eight times the \$1 billion in debt-service repayments received from DSSI countries,’ it said.<sup>29</sup>

Meanwhile, the IMF’s total support to African countries to fight the pandemic and its aftermath – through its Catastrophe Containment and Relief Trust and emergency concessional financing – has reached \$25.417 billion so far this year.<sup>30</sup> The AfDB has offered \$10 billion in COVID-19 relief funding.<sup>31</sup>

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23 Brautigam, “China, the World Bank”.

24 World Bank, “World Bank Group President David Malpass: Remarks to G20 Finance Ministers”, Statement, April 15, 2020, [https://www.worldbank.org/en/news/statement/2020/04/15/world-bank-group-president-david-malpass-remarks-to-g20-finance-ministers?cid=SHR\\_SitesShareTT\\_EN\\_EXT](https://www.worldbank.org/en/news/statement/2020/04/15/world-bank-group-president-david-malpass-remarks-to-g20-finance-ministers?cid=SHR_SitesShareTT_EN_EXT).

25 IMF Development Committee, “Statement by the Chinese Finance Minister, Kun Liu, on Behalf of the People’s Republic Of China”, April 17, 2020, <https://www.devcommittee.org/sites/dc/files/download/Statements/2020-04/DCS2020-0032-China.pdf>.

26 World Bank, “World Bank Group President David Malpass: Remarks at the High-Level Ministerial Conference on Debt”, Statement, July, 8, 2020, <https://www.worldbank.org/en/news/statement/2020/07/08/world-bank-group-president-david-malpass-remarks-at-the-high-level-ministerial-conference-on-debt>.

27 Brautigam, “China, the World Bank”.

28 Mfundo Hlatshwayo (Chief Director for Global and Emerging Markets at the South African Treasury, Technical Support Provider on the DSSI to South Africa’s G20 sherpa Trudi Makhaya), interview by Peter Fabricius, September 2020.

29 World Bank, “Debt Service Suspension and COVID-19” (Factsheet, World Bank, Washington DC, May 11, 2020), <https://www.worldbank.org/en/news/factsheet/2020/05/11/debt-relief-and-covid-19-coronavirus>.

30 IMF, “The IMF’s Response to COVID-19”, October 28, 2020, <https://www.imf.org/en/About/FAQ/imf-response-to-covid-19>.

31 AfDB, “Development Finance Institutions Pledge to Sustain Covid-19 Mitigation, Livelihood Recovery”, October 22, 2020, <https://www.afdb.org/en/news-and-events/press-releases/development-finance-institutions-pledge-sustain-covid-19-mitigation-livelihood-recovery-38444>.

## Private lenders also shun the DSSI

Thus far private creditors have also not heeded the G20's call to participate in the DSSI. After its last survey of members in July 2020, the International Institute of Financiers (IIF), which is supervising the private creditor aspect of the DSSI, reported that not a single private creditor had joined in the initiative.<sup>32</sup>

Lenders will lose no money through the DSSI as they will be repaid, net of inflation, negative exchange rate changes, etc. However, Hlatshwayo says private lenders fear joining the DSSI will hurt their credit ratings as well as their cash flows, and will incur opportunity costs of not investing the money more profitably elsewhere.

Apart from diminishing the benefit to the indebted poor countries in the DSSI, the refusal of the private sector to participate 'creates an unlevel playing field where the burden is being carried by the official creditors'.<sup>33</sup>

'The largest share of debt service sits with private creditors (\$13 billion), followed by official creditors (\$11 billion), followed by the MDBs (\$7 billion),' says Hlatshwayo, quoting IIF data. 'So the greatest sector or industry which could move the dial on this is not participating.'<sup>34</sup>

However, the IIF says 'the issue is not that private creditors haven't granted debt suspension – rather private creditors still haven't been asked to provide debt suspension by countries that have private sector debt'.<sup>35</sup>

And that is mainly because they are concerned that that would prompt credit rating agencies to downgrade them.

## Credit rating agencies have not helped

The main credit rating agencies seem to have effectively discouraged borrowing governments, multilateral banks and private creditors from participating in the DSSI.

S&P Global, for example, has said a country's failure to pay scheduled debt service to private sector creditors 'would be viewed as a credit negative, which in some cases could constitute a sovereign default under our criteria'.<sup>36</sup> Moody's likewise said the G20's call on private lenders to suspend debt service 'raises the risk of default on privately-held

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32 Dylan Riddle (Spokesperson of the Institute of International Finance), interview by Peter Fabricius, September 2020.

33 Hlatshwayo, interview.

34 Hlatshwayo, interview.

35 Riddle, email to Peter Fabricius, October 22, 2020.

36 S&P Global, "Credit FAQ: COVID-19 and Implications of Temporary Debt Moratoriums for Rated African Sovereigns", April 29, 2020, <https://www.spglobal.com/ratings/en/research/articles/200429-credit-faq-covid-19-and-implications-of-temporary-debt-moratoriums-for-rated-african-sovereigns-11451012>.

debt'.<sup>37</sup> According to Fitch Ratings, 'Suspension of sovereign debt payments owed to MDBs would be negative for MDB ratings unless they were fully compensated by their shareholders.'<sup>38</sup> Among them these three big rating agencies have downgraded or threatened to downgrade Côte d'Ivoire, Senegal, Cameroon and Ethiopia because of their DSSI participation.

Manuel says African countries' fear of being downgraded if they participate in the DSSI is very real, 'as many African countries have battled to access capital markets for so long, that to be downgraded is to present them with major problems'.<sup>39</sup> Such challenges can include access to capital markets or the rising cost of finance if countries are downgraded.

## African countries not eligible for the DSSI on their own

In many ways the fear of downgrades is even greater among African countries not eligible for the DSSI, as they are more dependent on private capital markets.

Of the 16 African countries that did not qualify for the DSSI, three – Eritrea, Zimbabwe and Sudan – were denied because they are in arrears to the World Bank or the IMF. The remaining 13 are middle-income countries not deemed to need external support to counter the COVID-19 pandemic. Yet they owe at least \$6.8 billion in debt service this year and the debt relief advocacy non-governmental organisation (NGO) Eurodad says they have been 'left out to weather the crisis mostly by themselves'.<sup>40</sup>

Looking at even relatively wealthy South Africa, for example, Manuel says while an IMF \$4.3 billion emergency loan this year averted the country's immediate financial crisis, its real problems will begin when it has to start repaying principal on the loan from 2023 – and even more so when it tries to return to international capital markets, especially if the country has been downgraded again in the interim.<sup>41</sup>

## A more indebted future

Eurodad believes the DSSI countries will have to borrow a lot more money to repay the debt service deferred by the DSSI. And when the DSSI repayments become due from 2022–2024, the 68 DSSI countries will already be repaying \$115 billion due from previous loans.

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37 Moody's, "Moody's Downgrades Ethiopia's Rating to B2: Rating on Review for Further Downgrade" (Rating Action, Moody's Investor Service, London, 2020), [https://www.moody's.com/research/Moodys-downgrades-Ethiopia's-rating-to-B2-rating-on-review-for-PR\\_423739](https://www.moody's.com/research/Moodys-downgrades-Ethiopia's-rating-to-B2-rating-on-review-for-PR_423739).

38 Fitch Ratings, "Suspension of Debt Payments to MDBs a Risk to Ratings" (Credit Market Commentary, Fitch Wire, Paris, 2020), <https://www.fitchratings.com/research/sovereigns/suspension-of-debt-payments-to-mdb's-risk-to-ratings-22-04-2020>.

39 Manuel, interview.

40 Iolanda Fresnillo, "The G20 Debt Service Suspension Initiative: Draining the Titanic with a Bucket?" (Briefing, Eurodad, Brussels, October 2020), [https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/768/attachments/original/1603714501/DSSIShadowReport\\_14Oct\\_%281%29.pdf?1603714501](https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/768/attachments/original/1603714501/DSSIShadowReport_14Oct_%281%29.pdf?1603714501).

41 Manuel, interview.



Although the DSSI is necessary, 'debt crisis risks are simply being pushed further down the road'.<sup>42</sup>

Ramaphosa, on behalf of the AU, has called on private creditors and MDBs to join the DSSI, and for the suspension of debt service payments to be extended beyond the current eight months to as much as four years. 'And we will be calling for ... even a cancellation of the debt,' he added.<sup>43</sup> Hlatshwayo, however, qualified this remark by saying Ramaphosa was speaking as AU chairperson and representative of the continent. 'So the African Union is calling for a consideration of debt cancellation. The language is important. For the think tanks, the Paris Club, all these others, the NGOs, [it is necessary] to start thinking about what is the next step.'<sup>44</sup>

Manuel regrets that 'there isn't the same kind of global perspective' for dealing with the COVID-19 crisis as there was in dealing with the global financial and economic crisis in 2008/2009.<sup>45</sup> (And also not much appetite for cancelling the debt of the most highly indebted poor countries in 2007 through the Heavily Indebted Poor Countries initiative,<sup>46</sup> one could add.)

However, on 14 October 2020 G20 finance ministers and central bank governors agreed to extend the DSSI for an additional six months, until June 2021. This could be further extended until end-2021, depending on the economic and financial situation.<sup>47</sup>

Manuel believes that the Trump administration, although hitherto hesitant, might be persuaded to support the IMF's reallocating and pooling Special Drawing Rights to help poorer countries.<sup>48</sup>

Yet others believe that it would take his defeat in the 3 November presidential elections for the US to agree to this.

There is also a growing international realisation that many countries are not facing a temporary liquidity problem but rather an underlying solvency crisis.

And so the G20 finance ministers and central bank governors decided to draft a common framework – originally proposed by the G7 – for handling low-income countries facing debt distress on a case-by-case basis.<sup>49</sup>

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42 Fresnillo, "The G20 Debt Service".

43 South African Government, "President Cyril Ramaphosa: Handover".

44 Hlatshwayo, interview.

45 Manuel, interview.

46 The Heavily Indebted Poor Countries (HIPC) are 39 developing countries with high levels of poverty and debt that are eligible for debt relief from the IMF and the World Bank.

47 G20, "Communiqué of G20 Finance Ministers".

48 Manuel, interview.

49 G20, "Communiqué of G20 Finance Ministers".

The G7 finance ministers previously acknowledged that ‘some countries will need further debt treatment in addition to the DSSI’s liquidity relief to restore debt sustainability’.<sup>50</sup>

An extraordinary G20 finance ministers and central bank governors meeting will be convened in November to publish the framework and discuss outstanding DSSI-related issues. Private creditors will apparently participate fully in this debt relief.

## Conclusion

It is clear that the DSSI, while helpful to a degree, does not go nearly far enough in addressing Africa’s huge healthcare needs and the economic repercussions of the COVID-19 pandemic.

Because MDBs and private creditors have stayed out, in 2020 the DSSI will defer well short of \$5 billion of the total \$17.5 billion debt service obligations of the 29 African countries that have so far chosen to participate in it.

It also does not address the problems of the continent’s middle-income countries.

As Ramaphosa has warned, the danger is not only that many African countries will fail to address the health crisis but also that they could default on their debts, with devastating long-term economic repercussions.

The global community urgently needs to find ways of expanding and extending the DSSI to address the immediate liquidity problems of the poorest and most indebted countries, as well as tackling a looming underlying solvency crisis.

This could include, as Eurodad has proposed, creating a permanent, independent, UN-led multi-stakeholder process to manage debt. This would include writing binding rules on responsible sovereign lending and borrowing to try to avoid yet another debt crisis.<sup>51</sup>

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50 US Treasury Department, ‘G7 Finance Ministers’ Statement on the Debt Service Suspension Initiative and Debt Relief for Vulnerable Countries’, September 25, 2020, <https://home.treasury.gov/news/press-releases/sm1135>.

51 Fresnillo, ‘The G20 Debt Service’.

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## Cover image

Kayumbu, Rwanda: A group of women walking in the Rwandan countryside. Rwanda is the most densely populated country in Africa. There are an estimated 352 people/square kilometer. 35% of the population engage in subsistence agriculture and live under the poverty line. But with a growth rate of 6-8 percent since 2003 the poverty rate is declining (William Campbell-Corbis via Getty Images)

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