SOUTHERN AFRICA’S DEBT CONUNDRUM
2-3 JULY 2019 | Johannesburg
SOUTH AFRICA

CONCEPT NOTE
The debt burden remains a recurrent matter in the discourse of Africa's development. The magnitude and consequences of debt in the continent are a massive betrayal of Africa's huge resource base, both human and material, and the failure of policy measures targeted at the management of those resources. In sub-Saharan Africa alone, almost 40% of the countries are in danger of slipping into a major debt crisis. Countries with mineral reserves worth billions including Mozambique and Zimbabwe are among the eight countries which are already in debt distress, while a further 18 countries including Zambia, The DRC and Angola have already surpassed a 55% debt-to-GDP ratio and are at high risk of distress.
The ongoing debt crisis is against a backdrop of debt relief programmes such as the Heavily Indebted Poor Countries (HIPC) Initiative launched by the World Bank 23 years ago, which freed up resources for development in some Southern African countries such as Zambia, Mozambique, Malawi and DRC. Whilst debt relief offered some prospects for development, the conditions that precipitated the debt crisis in the first instance, including structural adjustment policies (SAPs), an inequitable international economic order, political conditions tied to aid, and the high cost of servicing extensive borrowing are still present even in the era of debt relief. The African debt discourse is further complicated by changes in the international architecture for preventing and resolving debt. The composition of creditors has changed with private lenders and China playing a prominent role globally and in Southern Africa. Notably, 20% of African government external debt is owed to China while another 32% is owed to private lenders. The current frameworks and tools for resolving sovereign debt crises are therefore unable to deal with the challenges that lie ahead in an effective, fair, and transparent manner. National authorities tasked with managing public debt are also facing new challenges due to an increasingly volatile global environment. The debt terrain is further complicated by an emergence of new forms of illegal and illicit debt, which are a result of failed democratic processes and weakening oversight mechanisms within states.

Recognising that unsustainable debt poses critical developmental questions and presents significant risks to global commitments such as the Sustainable Development Goals, the Open Society Initiative for Southern Africa (OSISA), will hold a conference that brings together various stakeholders to discuss the unfolding and widening debt crisis in the Southern Africa region. The conference is essentially a regional platform for breeding Pan African narratives, solutions and strategies to address the ongoing debt crisis. Leading experts from governments, development agencies, the banking sector, civil society, civil society organisations, members of parliament, donors and the media will convene at this two-day conference to debate the prominent questions including:

- What are the existential drivers of unsustainable licit and illicit debt in Southern Africa and the African continent more broadly?
- What are the implications of new financing sources for debt sustainability?
- What needs to change at the national and international levels to mitigate these vulnerabilities, and encourage more sustainable and transparent lending and borrowing?
- What options are there for improving existing frameworks to ensure effective, fair and transparent sovereign debt crisis resolutions?
- What measures can donors and civil society groups take to mobilise citizens?
- What are the social and economic implications of debt particularly on social protection and social sectors?
- What are the implications on marginalised communities such as women, the youth, indigenous people, refugees, migrants and persons with disabilities?
Problem Statement

The origin of Africa’s debt crises can be traced to the colonial period where its foundations were laid. At the end of the colonial era, African foreign trade exhibited defects, which were a result of ‘the extreme disarticulation and distortions of Africa’s colonial economy and the late decolonisation of the region. The defects which included high export dependence, high concentration on a few commodities and low as well as declining terms of trade presented the weak economic base that most African countries attained after political independence. To jump start economic development and encourage economic growth, there was need for significant levels of investment in the economy. In the absence of a surplus, African countries begun to seek and receive external funds mostly in the form of aid and debt to cover their savings and investments gaps.

Over the years, what started out as responsible borrowing for economic development quickly spiralled into toxic debt rooted in complex contextual, systemic and structural factors at domestic, regional and international levels. At the domestic level, the conundrum is a result of the low domestic saving rate, growing financing needs especially in sectors like infrastructure as well as other economic factors such as, volatile international and multinational debt markets; unstable domestic markets; the depreciation of exchange rates and falling commodity prices. Systemic challenges include poor economic management in the form of wasteful and unproductive expenditures, corruption and the mismanagement of the borrowed funds by inefficient public enterprises. On the lenders side, the conundrum is fuelled by unsustainable conditions and demands. Most creditors have insisted on deregulation of the economy, devaluation of the local currency, and recently, political liberalisation, which undermines African economies.

According to The Economist, public debt has climbed above 50% of GDP in half the countries in sub-Saharan Africa. The risk of a massive economic crash is growing. After a drastic fall in debt in the wake of a write-off for the most indebted poor countries, the IMF has noted with concern that the debt levels in low income countries have risen drastically since 2013. Statistics show that 70 percent of low-income countries had higher government deficits in 2017 than during 2010-14. Zambia, a beneficiary of the 2005 IMF’s HIPC scheme, now has a public debt of 59% debt to GDP ratio. Zimbabwe’s debt accounts for 75% of its GDP with domestic debt having increased from US$4 billion to US$7.7 billion.
between November 2017 and August 2018. Mozambique and Mauritania have debt to GDP ratios near or above 100 percent. For Madagascar and Namibia public debt is at slightly over has increased to 41% (2017), a stark increase for Namibia which had a debt to GDP ratio of 23.2% in 2014. The recent Angola debt figures are not known as the government is yet to undertake a public debt audit. However, in 2016, the debt to GDP ratio in Angola was at 79.8%. These statistics are a reflected across the continent with countries such as Burundi, Cameroon, Central African Republic, Ethiopia, The Gambia and Ghana, exhibiting a similar trend and a high risk of debt distress.

Empirical studies and anecdotal evidence have shown that public external debt in Sub-Saharan Africa is on the rise, posing significant challenges for policymakers and development practitioners. The debt crisis presents a range of social and economic implications which have hindered the manner in which political, social, economic and cultural rights can be achieved. The continent has witnessed:

- The rise in poor economic opportunities particularly affecting women; thus resulting in widened gender disparities; high unemployment and increased poverty.
- Lack of adequate healthcare services and education; thus resulting in social ills – increased child mortality rates; rise in palliative diseases; and increased illiteracy.
- Lack of the human right to development. The inability to provide the necessary resources and opportunities for development, thus a hindrance to human rights and required and desired electoral systems.

Civil Society, policymakers, development practitioners, journalists and the wider public need to be empowered with correct and reliable information on the debt crisis as well as its direct impact on the continent, individual states and citizens. There is need for a thorough thought process that interrogates the current debt narrative for Africa which is often times framed by powerful lending institutions that are outside the continent. The conference is a space for African states and civil society to develop pan African narratives, strategies and solutions that promote transparent and accountable borrowing and lending as well as efficient public spending that is hinged on the development of human rights especially social and economic rights.
Conference objectives:

Goal

The overall goal is to co-create strategic policy and advocacy solutions that address the on-going debt crisis in Southern Africa.

Objectives

1. To improve the understanding of the ‘new’ debt issues and challenges on the terrain of finance and development in Africa today;
2. To clearly define priority issues and stakeholder partners to fund on the debt question
3. To set up a platform/network for collaboration around this issue
4. To launch OSISA’s debt conundrum research

Participants:

This multi-stakeholder conference will provide a regional platform for government representatives, donors, policy makers, civil society organisations, think tanks, and the media to engage on the challenges and potential solutions to the ongoing debt crisis. Measures will be taken to ensure that women, the youth and marginalised communities are adequately represented in the conference across the various stakeholders that are attending. Moreover, there will be a debt and women track within the conference agenda itself.

Dates:

2-3 July 2019

Location:

Crowne Plaza Hotel, Rosebank – Johannesburg, South Africa

For more information contact: debtconference@osisa.org