

AN AFRICA-LED INITIATIVE TO STRENGTHEN REGIONAL COLLABORATION IN DEBT MANAGEMENT AND TRANSPARENCY

Outcomes of the Regional Conference on Public Debt Management and Sustainable Economic Growth in Sub-Saharan Africa, 26–28 February 2020, Kampala, Uganda

At end February representatives of 18 African governments met to achieve greater collaboration on debt management. The resulting Roadmap identifies top priority issues and key actions for sub-Saharan African governments and other actors to deal better with pressing debt issues. This African-led initiative aims to level the playing field between African governments and their creditors as well as to ensure that new debt arrangements are conducted in a fully transparent and fair manner.

Senior government officials from across sub-Saharan Africa and a wide range of representatives from multilateral, bilateral and private sector creditors, civil society, and academia met in Kampala from the 26th to the 28th February 2020.

At the conference, the African representatives discussed how their countries could better collaborate and deal with pressing debt challenges. Participants' discussions focused on how to manage greater diversity among creditors and how to secure sustainable funding for their national development plans. In the wake of the COVID-19 health and economic crisis, the issue of debt management could not be more important.

The conference was hosted by the Ministry of Finance, Planning and Economic Development of the Government of Uganda, and co-organized by the Ministry of Foreign Affairs of the Netherlands, the Overseas Development Institute (ODI) and United Nations Department of Economic and Social Affairs (UNDESA).

The participating countries seek to work towards the following objectives:

- a. Borrowing countries will coordinate more;
- b. Legal and policy frameworks related to debt management will be strengthened;
- c. Increased transparency will be pursued in debt contraction and management where borrowing countries should indicate willingness and readiness to fully disseminate debt data on publication platforms.
- d. Work with development partners in exploring ways of swapping excessive debt or offering debt relief.

A. TO ACHIEVE MORE FAVOURABLE BORROWING TERMS AND CONDITIONS

Participants noted that terms and conditions contained in debt contracts and their implications may not be fully understood by decision-makers, and their technical advisors, or may be presented as

'non-negotiable' by creditors. The lack of transparency surrounding these terms and conditions can also exacerbate potentially harmful effects. This workshop identified priority issues for sub-Saharan Africa governments and made proposals for improvement as set out below.

Priority issues

1. A lack of capacity to negotiate terms and conditions on the borrowing side has resulted in an uneven balance of power between the sovereign borrower and its official sector and private sector creditors;
2. In addition to getting debt contracts right, it is also essential that the sovereign borrower develops and implements a sound macroeconomic framework and debt strategy;
3. Selecting the right projects is critical for ensuring that borrowing contributes to sustainable economic growth and transformation;
4. Terms and conditions need to be more flexible to absorb unexpected shocks; and, finally,
5. While there are potential benefits of offering collateral, it creates problems for debt restructuring if done badly and in a non-transparent manner and should generally be avoided.

Proposals for SSA Government actors

1. Build capacity by recognising the weak areas that undermine their ability to negotiate favourable terms and conditions;
2. To help build capacity, countries need to hire the right advisors both legal and financial;
3. Countries need to implement wider reforms in the legal and institutional framework to support their negotiating framework; and,
4. Although there is considerable degree of heterogeneity in the region, SSA countries need to come together and articulate a joint position on certain terms and conditions they regard as unfavourable to their development.

Proposals for other actors

1. The international community needs to provide more alternative sources of financing, especially grants and concessional loans to lower-income countries;
2. Lenders need to comply with existing guidelines and principles relating to sustainable lending practices;
3. International institutions and bilateral donors should support countries in identifying weaknesses related to managing debt and negotiating debt contracts and help build their capacity; and,
4. The international community should support the production of guidance documents and guidelines on specific topics requested by borrowing countries and make them easily available.

B. HARNESSING THE OPPORTUNITIES AND MANAGING THE RISKS OF CREDITOR-DRIVEN FINANCING AND UNSOLICITED PROPOSALS

A variety of actors, including private credit funds, multinational corporations, infrastructure providers, bilateral creditors, banks, institutional investors, can provide unsolicited financing, as well as fraudulent or rogue actors. The workshop assessed the major problems caused for SSA

countries by unsolicited proposals and creditor-driven financing, and identified priority issues for SSA governments and made proposals for improvement which are set out below.

Priority issues

1. There is a wide variety of experience across countries that needs to be shared in terms of laws, rules and procedures on how to handle unsolicited proposals;
2. Unsolicited proposals are very time consuming for debt managers;
3. Unsolicited proposals arrive most when there are few other options, particularly when countries are in trouble or experiencing a crisis;
4. It is often difficult to link unsolicited proposals to national development plans and medium-term frameworks; and,
5. Unsolicited proposals are often very poor options and are not well developed or appraised.

Proposals for SSA Government actors

1. Put in place laws, rules and procedures where these do not exist or are not yet fully developed;
2. Develop and nurture a strong practice of following these laws, rules and procedures;
3. Clearly communicate the set out the laws, rules and procedures to creditors; and,
4. Ensure to get good advice through due diligence checking on the proposals.

Proposals for other actors

1. Borrowing countries can learn a lot from each other by establishing peer networks to support due diligence processes;
2. Civil society actors, the media, and parliaments can scrutinise and hold politicians accountable and demand transparency in proposal approval;
3. Development partners can provide advice and guidelines, fund feasibility studies, support the development of online platforms to easily conduct due diligence research on unknown actors, and support capacity development across the system; and,
4. Reputable multilateral and bilateral actors can provide better alternatives, including more concessional lending and grants, particularly for countries in trouble.

C. WAY FORWARD AND FOLLOW-UP ACTION PLAN

1. In the short-term acquire Ministerial approval of the joint position paper from all the SSA countries that were in attendance to form an African Union resolution to implement the proposed actions.
2. In the medium-term continue with the collaboration between sub-Saharan African countries. Through regular information sharing, technical workshops and technical meetings at the debt management officer level to address the issues raised.
3. Create a steering group, consisting of representative regional governments who would have oversight of the initiative and ensure the continuity of the dialogues and practical actions and solutions for addressing the issues raised by the participants.