2023 AFRICA CONSULTATIVE GROUP MEETING WITH THE MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND, KRISTALINA GEORGIEVA

ADDRESSING DEBT CHALLENGES AND ENHANCING DEBT MANAGEMENT TO IMPROVE ACCESS TO FINANCE IN AFRICA

REMARKS BY

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Thank you, Chair. I wish to focus my intervention on addressing debt challenges and enhancing debt management to improve access to finance in Africa.

But, let me first take this opportunity to express my sincere appreciation to Madam Georgieva, for the exceptional leadership and relentless efforts in exploring, to the full extent possible, resources to help member countries, especially in Africa, mitigate the adverse impact of the COVID-19 pandemic.

African economies have accumulated debt at a rapid pace over the past decade to help address developmental and infrastructural needs. Consequently, the continent's debt structures have become more sophisticated, including bonds, loans, collateralized debt contracts and repurchase agreements, and the creditor base has become more diverse and fragmented. The COVID-19 pandemic, the war in Ukraine, and the tightening of financing conditions have all acted in concert to expose Africa's heightened debt levels, as well as elevated debt-service costs and rollover risks. At the same time, recurrent climate-related disasters are adding to the already acute fiscal and debt problems on the continent. The WBG World Debt Report (2022) estimates Sub-Saharan Africa's (SSA's) long-term external debt stock at US$636 billion at the end of 2021[1], with nineteen of the 35 low-income countries either in or at high risk of debt distress[2], while some others (including Ghana) are completely shut out of the international capital market. If unaddressed, the overall debt situation is expected to worsen in 2023 and further constrain the capacity for many member countries to raise the needed funding to deliver broader social protections and respond to climate change.

To address the fast-deteriorating debt dynamics in the continent:

- African countries remain committed to pursuing credible fiscal consolidation, anchored on efficient expenditure rationalization and robust domestic revenue mobilization measures. This will help build buffers for critical social interventions and infrastructural development, while safeguarding medium-term debt sustainability. To boost fiscal resilience, members are undertaking measures to improve public financial and investment management, enhance fiscal transparency and governance, address corruption risks, and progressively phase out untargeted subsidies.

- African countries also recognize the need to prioritize efficient debt management practices, consolidate debt data in a centralized system, publish reliable, comprehensive, and timely debt information, and deepen domestic debt and capital markets to foster greater access to long-term finance.

It is, however, clear that domestic policy efforts alone are inadequate to sustainably address the debt burden and restore macroeconomic stability in the continent. For this reason, Madam Managing Director, and given the current context of fragmented global financial safety nets, much stronger support is needed from the IMF to prevent the region's debt levels from spiraling out of control.

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[1] WBG (2022). International Debt Report

[2] IMF (October 2022). Regional Economic Outlook

Going forward, Madam Managing Director, the global policy dialogue should focus on Africa's debt sustainability, long-term investment needs, macroeconomic resilience to shocks, and laying the foundation for the continent's inclusive and job-rich growth. Against this backdrop, I would suggest the following for consideration:

- **Improve the IMF's lending framework to enhance the continent's access to Fund resources is macro-critical in this challenging environment.** In this regard, I would urge the Fund to consider increasing concessional financing to the continent by modifying the access thresholds, including expanding access limits and relaxing eligibility criteria for PRGT resources. This will ensure timely financing assistance to most vulnerable members. It is in this context we welcome the Fund's decision to temporarily raise the annual and cumulative limits in the General Resources Account (GRA) to 200 percent and 600 percent of quota respectively for a period of 12 months. Nevertheless, we underscore the importance of aligning PRGT access limits with those of the GRA to enhance Fund support to PRGT-eligible members facing acute debt challenges, while strengthening the fundraising efforts to bolster the PRGT resource envelope.

- **The Fund should continue close engagements with other international financial institutions and creditors to strengthen the multilateral framework for dealing with Africa's debt distress in a timely manner.** In this context, the G20 Common Framework (CF) should be enhanced to deliver swift, predictable, transparent, and equitable debt resolutions, while permitting debt service suspension during negotiation to offer instantaneous relief to debtors. As you are aware, Madam Managing Director, a protracted CF process undermines overall confidence and impacts IMF's catalytic role, in addition to its negative demonstration effect with new countries that are hesitant to request a CF debt treatment. We also underscore the need for the newly created Global Sovereign Debt Roundtable to remain focused on accelerating debt restructuring processes and making the G20 Common framework more efficient.

- **Finally, the Fund should continue tailored capacity development and surveillance support**, in conjunction with other international partners, which are indispensable in the continent's reform agenda towards addressing debt challenges and creating fiscal space to tackle long-standing snags to sustained economic growth and development in member countries.

Thank you once again, Chair and Madam Managing Director.