

AFRICAN UNION

الاتحاد الأفريقي



UNION AFRICAINE

UNIÃO AFRICANA

Addis Ababa, ETHIOPIA P. O. Box 3243 Tel.: 517 700 Fax: +251-1-517844

AFRICAN UNION CONFERENCE ON DEBT

LOME, TOGO

12th to 14th May 2025

ORIGINAL: ENGLISH

DECLARATION

DRAFT DECLARATION OF THE AFRICAN UNION CONFERENCE ON DEBT
12th to 14th May 2025

WE, the African Union (“AU”) Heads of State and Government, Ministers of Finance, Central Bank Governors, representatives of the Ministries of Finance, African Multilateral Financial Institutions, Regional Economic Communities and Civil Society Organisations, meeting from 12th to 14th May 2025, for the African Union Conference on Debt in Lome, Republic of Togo;

HAVING deliberated on the theme of “Africa’s Public Debt Management Agenda: Restoring and Safeguarding Debt Sustainability”;

ACKNOWLEDGING that public debt in Africa has increased significantly over the last decade, resulting in over 25 countries being either at high risk of debt distress or in debt distress, which has created a huge challenge as the rising debt service costs are draining vital public resources needed for development and achievement of the Sustainable Development Goals (“SDGs”) and the AU Agenda 2063;

RECOGNISING that besides the heightened debt service payments, the continent has an enormous development financing gap, averaging USD200 billion per annum, for successful attainment of the SDGs by 2030;

COGNISANT that the prevailing debt situation suggests a daunting task ahead of the continent, partly due to the increased complexities in debt restructuring owing to a wide variety of creditors, as well as the growing complexity in bridging the financing gap due to reduced development financing flows to the continent;

STRESSING that the challenge at hand calls for interventions that will firstly resolve the current debt crises to free up resources to be directed towards the acceleration of the social and economic transformation needed for the attainment of the SDGs and Agenda 2063, and secondly ensure that the heightened financing needs are financed while safeguarding debt sustainability;

RECALLING that despite the continent having benefitted from various debt relief initiatives previously developed and deployed by the international community, the continent keeps on sliding back into high indebtedness episodes;

NOTING WITH CONCERN that while the continent welcomed the G20 Common Framework as a first step towards a more comprehensive approach to the sovereign debt restructuring on the continent and beyond, it has not provided a pathway towards the quick restoration of debt sustainability, creating some considerable scepticism as to its potential to deliver effectively for highly indebted countries, particularly in Africa;

COMMENDING that the African Union Commission (“AUC”) develops an African Common Position on debt to provide guiding principles to the AU Member States in their debt management by spelling out both an effective debt resolution mechanism as well as

the common debt management principles to enable the continent to mobilise concessional resources at scale to implement the AU Agenda 2063 while safeguarding debt sustainability.

HEREBY:

ON MEASURES TO RESOLVE THE CURRENT DEBT CHALLENGES

1. **REAFFIRM** our determination to implement at the national, continental and global levels all measures likely to contribute to an effective solution to the current debt problem and express our commitment to examining and implementing, as appropriate, supporting measures as may be dictated by the growing burden of Africa's external debt and the demands for economic recovery and accelerated development as set out in Agenda 2063;
2. **CALL UPON** the AUC to leverage its full membership status to the G20 to project a strong and unified African voice on the international stage, with a view to reforming the global financial architecture, particularly reforming the G20 Common Framework to ensure that it delivers adequate and timely debt relief necessary for restoring and safeguarding debt sustainability;
3. **RESOLVE** to advocate for reforming the G20 Common Framework by setting up a universally accepted methodology for comparability of treatment, enhancing transparency and inclusivity amongst stakeholders during restructuring, pursuing simultaneous and coordinated negotiations across creditor types, introducing a time-bound aspect, suspending debt servicing for all borrower countries embarking on a debt restructuring, expediting the ongoing reforms to the Low Income Country-Debt Sustainability Framework ("LIC-DSF"), accommodating debt swaps for climate and nature, expanding its eligibility criteria to include the middle-income countries, and establishing a supranational legal mechanism for enforcement purposes, among other proposed reforms;
4. **FURTHER RESOLVE** to continue with advocacy at the G20 for expeditious implementation of the making of the Multilateral Development Banks Better, Bigger, and More Effective Agenda by rechannelling of the Special Drawing Rights ("SDRs") through the Multilateral Development Banks as a means for scaling up the much-needed concessional liquidity to African countries to refinance some of the expensive loans on our debt portfolios;
5. **AFFIRM** that we will strongly advocate for debt forgiveness on a case-by-case basis, based on the inability of some African countries to service their debt, on the principle of economic justice, the principle of necessity, and on principles of international law such as force majeure, and the *omnia conventio intelligitur rebus sic stantibus*, whereby a fundamental change of circumstances can affect the validity of a treaty/financing agreement;

6. **COMMIT** to adopt a Common African position on debt under the aegis of the African Union to form as a negotiation strategy and a united front before creditors and other stakeholders during negotiations and discussions on our continental debt forgiveness, debt restructuring, and other continental debt financing engagements;
7. **RESOLVE** to go beyond the G20 Common Framework and other debt relief mechanisms by utilising, where appropriate, other debt burden-reducing options such as debt swaps (Debt-for-Nature swaps and Debt-for-Development swaps), as well as utilising cheap innovative financing instruments such as Panda bonds;
8. **SEEK** to promote inclusive growth and sustainable development of the African economy, anchored in 7-10% annual growth rates, by accelerating productive transformation through leveraging the key strategic policy actions adopted under the strategic framework on key actions to achieving inclusive growth and sustainable development in Africa;
9. **AIM** to harmonise regional macroeconomic policies to enhance resilience, by deepening economic integration and promoting the convergence of policy frameworks;
10. **COMMIT** to establishing monetary and fiscal stability frameworks aligned with development priorities, by promoting responsible policies, sound debt management, and monetary stability in support of growth.

ON MEASURES TO BE IMPLEMENTED IN MOBILISING NEW FINANCING WHILE SAFEGUARDING DEBT SUSTAINABILITY

11. **REAFFIRM** our commitment to further implementing measures at national, continental and global levels to ensure that the continent mobilises adequate concessional financing for the implementation of the continent's social and economic transformation without jeopardising debt sustainability;
12. **REITERATE** our commitment to utilising other financing models besides debt financing in the implementation of our transformation agenda through financing options such as the Public Private Partnerships ("PPPs") and carbon trading, with the sole purpose of improving the region's overall fiscal position and safely guiding debt sustainability;
13. **COMMIT** to employing innovative financing instruments such as sustainability financing instruments, panda bonds, etc., which have been employed in other regions of the world to mobilise financing at reduced cost and risk;

- 14. RESOLVE** to expedite the establishment of the African Financing Stability Mechanism (“ASFM”) to protect our countries against shocks and to provide liquidity support in the form of concessional loans and other forms of rescue packages to African countries facing high debt refinancing risks;
- 15. FURTHER RESOLVE** to expedite the ongoing establishment of the African Credit Rating Agency to develop more permanent solutions towards supporting Africa’s access to affordable capital, which is currently highly priced because of the high-risk premium placed on the African countries by international credit risk rating agencies;
- 16. CALL UPON** the IMF to urgently reform the Special Drawing Rights (“SDR”) allocation formula by incorporating countries’ liquidity needs beyond IMF quotas which should be able to scale up the allocation to the African countries from the below 5% of the total SDRs allocation during the last SDR allocation in 2021;
- 17. CALL ON** the international organisations to acknowledge the obsolescence of current debt analysis and management tools, which constrain and hinder essential investments in human capital, critical infrastructure, and resilience to global challenges as well as urge a shift toward political and strategic pragmatism, rather than counterproductive technical automatism;
- 18. FURTHER CALL UPON** developed countries to fulfil their pledges on an increased allocation to both the IMF’s Poverty Reduction and Growth Trust (“PRGT”) and the Resilience and Sustainability Trust (“RST”);
- 19. RESOLVE** to enhance Domestic Revenue Mobilisation through the adaptation of appropriate policies and measures such as the improvement of the efficiency of existing tax systems, the optimisation of tax incentives, the rationalisation of tax exemptions, the expansion of the tax base, the implementation of specialised taxes, the establishment of solid domestic institutions and policy frameworks, and fighting the illicit financial flows;
- 20. SEEK** to promote inclusive growth and sustainable development of the African economy, anchored in 7-10% annual growth rates and sustained over a period of 40 to 50 years by accelerating productive transformation, leveraging the key strategic policy actions adopted under the strategic framework on key actions to achieving inclusive growth and sustainable development in Africa;
- 21. URGE** the developed countries and the Multilateral Development Banks (“MDBs”) to recognise the importance of concessional financing and other forms of capital inflows in addressing the African external debt problem and take action to reverse the decline and grow the net capital inflows to several African countries, substantially reduce the lending interest rates on existing and future loans;

- 22. FURTHER URGE** Africa's partners to invest in peace, stability, and the fight against transnational threats, as Africa's security is both a necessity and a global public good that deserves concrete recognition and support;
- 23. URGE** that security, health, and climate expenditures be better accounted for — by recognising the cost of inaction and excluding such investments from debt sustainability analyses ("DSAs")—in order not to penalise countries that prioritise the resilience and stability of their societies and economies;
- 24. RESOLVE** to urgently engage and agree with global creditors on how to hedge against exchange rate risk, such that where a debt burden increases because of the appreciation of the creditor countries' currencies (exchange rate volatility) through no fault of the borrowers, the increased debt burden resulting from exchange rate risk should be treated as debt relief, to control erratic growth of the borrowers' debt burden;
- 25. URGE** developed countries to fulfil their commitment to allocating 0.7% of their Gross National Income ("GNI") to Official Development Assistance ("ODA"), a long-standing target set by the United Nations with a view to reducing debt financing;
- 26. CALL UPON** the World Bank to both raise the International Development Association ("IDA") concessional financing eligibility ceiling from the current \$1,205 per capita to enable more African countries (currently 39) to qualify for IDA resources and expand the eligibility criteria by going beyond the country's income level and creditworthiness by incorporating other country-specific factors;
- 27. FURTHER CALL UPON** the MDBs to cease the practice of immediate commencement of lending on blend terms when a country graduates to the blend category. African countries graduating in the blend category GDP per capita should continue accessing IDA financing at least for a considerate period before being introduced to the blend financing terms.

ON DEBT RESTRUCTURING

- 28. COMMIT** to employing the ex-ante debt reprofiling (pre-emptive re-profiling) approach to allow borrower countries to improve on their liquidity and the solvency debt burden indicators in a timely manner before they are in debt distress, as a way of avoiding damaging consequences to those debt-distressed economies undergoing debt restructuring;
- 29. FURTHER COMMIT** to seeking and commencing external debt restructuring processes early enough, for countries already in debt distress, for better and timely debt restructuring outcomes and fewer economic disruptions;

- 30. URGE** borrower member states, creditors and the international financial institutions to only settle for debt restructuring options that consider countries' development and investment needs, repayment capacity, expected growth in export earnings, import requirements, expected financial inflows, climate shocks, and budgetary situations, among other country-specific factors;
- 31. REITERATE** that within the framework of debt restructuring (i.e. the G20 Common Framework), individual creditor countries which are members of the Bilateral Creditors should be allowed to negotiate and grant better rescheduling terms to African debtor countries than those obtainable within the restructuring framework (creditor countries should be allowed to provide additional relief beyond the comparability of treatment benchmarks provided);
- 32. RESOLVE** to make previously restructured debts generally eligible for further restructuring to ease the debt servicing burden of the debtor; alternatively, adjustment clauses should not only work in favour of creditors but borrower countries too, allowing much favourable debt servicing terms in case of any negative shock to borrower economy;
- 33. FURTHER RESOLVE** to take action to expedite bilateral negotiations between the borrower country and its bilateral creditors (following the signing of a Memorandum of Understanding ["MoU"] between the Official Creditors Committees);
- 34. CALL FOR** global emergency financing to benefit African countries, and for the implementation of the rechannelling of SDRs to regional multilateral financial institutions, with the African Development Bank ("AfDB") as the designated holder, as a viable option to help alleviate Africa's debt challenges;
- 35. FURTHER CALL FOR** accelerating reforms related to the capital adequacy of MDBs to enable more concessional financing in order to meet Africa's development challenges.

ON SOUND DEBT MANAGEMENT PRACTICES

- 36. COMMIT** to ensuring that grant and concessional resources are used productively by improving public financial management, including effective resource allocation and budgeting, strong fiduciary oversight on spending, and appropriate audit institutions and procedures;
- 37. ALSO COMMIT** to establishing and enforcing laws that require parliamentary approval for debt contraction and comprehensive reporting on debt utilisation with a view to strengthening transparency and accountability;

- 38. CALL UPON** subregional and regional organisations, in particular the, African Development Bank (“AfDB”), the Economic Commission for Africa (“ECA”), The African capacity Building Foundation (“ACBF”), the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (“MEFMI”), the West African Institute for Financial and Economic Management (“WAIFEM”) and other debt management capacity building regional institutions, in collaboration with United Nations Conference on Trade and Development (“UNCTAD”), the international Monetary Fund (“IMF”) and the World Bank to rump up their debt management training to African countries including to parliamentarians;
- 39. URGE** the AfDB and its partners to continue their ongoing initiatives to strengthen debt management capacity, particularly the Debt Management Forum for Africa (“DeMFA”) and the African Debt Managers Initiative Network (“ADMIN”), in order to promote sustained policy dialogue, peer learning, and knowledge exchange on African debt management;
- 40. COMMIT** to urgently strengthening and operationalising the debt management legal and institutional frameworks in the member states by integrating strong sanctions into the legal frameworks for those circumventing public debt regulations, providing for the definition of public debt as recommended by the World Bank and the IMF, providing for the purpose of borrowing, providing for debt limits, and providing for full reporting/disclosure of information;
- 41. ALSO COMMIT** to accelerating the establishment of the African Union Financial Institutions with the African Monetary Institute (“AMI”) and the African Financing Stability Mechanism (“AFSM”) as the first steps to strengthen Africa’s financial stability in a world vulnerable to shocks; The AFSM will specifically address the continent’s high refinancing needs and enable countries to pool their resources, helping to mitigate the impacts of global pandemics or other external shocks;
- 42. CALL UPON** Member States to enhance the identification of all exposures and risks to public debt in our respective member states which require us to continue monitoring our debt portfolios through timely undertaking of Debt Sustainability Analyses (“DSAs”), Medium-Term Debt Strategies (“MTDSs”) and Annual Borrowing Plans (“ABP”);
- 43. REITERATE** our position to abide by relevant milestone guidelines in external debt management, including the UNCTAD Principles on Promoting Responsible Sovereign Borrowing and Lending (2012), the Addis Ababa Action Agenda (2015), General Assembly resolution 69/319, the G20 Operational Guidelines for Sustainable Financing (2017) and the IMF-World Bank Group multipronged approach to addressing debt vulnerabilities (2018);

TOWARDS A LEGALLY BINDING MECHANISM FOR DEBT RESOLUTION

44. CALL UPON the AU and other pan-African Institutions to advocate for strong, far-reaching reform of global debt architecture through the establishment of a **UN Framework Convention on Sovereign Debt**. This proposed framework should aim to create a more comprehensive, fair, and effective multilateral mechanism for preventing and resolving sovereign debt crises. The Framework Convention on Sovereign Debt should be a legally binding mechanism providing timely and adequate debt relief. It should furthermore be inclusive and transparent, propose development-oriented debt sustainability assessments, address illegitimate debt and propose debt crisis prevention mechanisms.

FRAMEWORK FOR FOLLOW-UP AND IMPLEMENTATION

45. WE COMMIT to establishing a robust framework within the African Union to monitor the implementation of this declaration through a Ministerial Committee on Debt, coordinate our collective advocacy efforts and report to AU Policy Organs through the President of the Council of Togo.

VOTE OF THANKS

46. We express our deep gratitude to His Excellency Mr Faure Essozimna Gnassingbé, President of the Council of the Togolese Republic, for accepting to host this important event, and extend our sincere congratulations for his visionary leadership, significant intellectual contribution to the discussions, and his unwavering commitment to African integration.

47. We also extend our gratitude to the government authorities, the Togolese institutions involved, and the entire Togolese population for their hospitality, availability, and exemplary commitment, which contributed to ensuring the success of the Conference.

48. We further extend our heartfelt gratitude to His Excellency Mr John Dramani Mahama, President of the Republic of Ghana for his physical presence and to His Excellency Mr. Hakainde Hichilema, President of the Republic of Zambia (video recorded message) for their powerful thoughts conveyed during the opening ceremony of the Conference.

49. Finally, we would like to express our gratitude to the AUC for the initiative and excellent organisation of the African Union Conference on Debt, and we call on it to carry forward the conclusions of this session and translate them into concrete actions.

50. May the conclusions of Lomé mark a decisive turning point towards a new African financial architecture, based on solidarity, shared responsibility, and the capacity of African states to chart their own path towards sustainable development.

Adopted on this 14th day of May 2025 in Lome, Togo.