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Letter to the G20 Finance Ministers and Central Bank Governors ahead of their meeting on July 13-16, 2022 in Bali, Indonesia

As the G20 leaders meet in Bali for the Finance Ministers and Central Bank Governors meeting, African Ministers of Finance, Planning and Economic Development and Central Bank Governors call for swift and decisive collective action to address the growing food insecurity on the continent. The G20 must urgently deploy all available financing mechanisms to save lives and strengthen financial and social stability. We cannot overstate the urgency with which the food crisis should be addressed, and we ask for immediate liquidity support akin to the global response during the COVID-19 pandemic to help support our economies.

In the course of the last two years, Africa has been hit by three exogenous shocks that have reversed hard-won socio-economic gains, undermining our combined efforts to protect the vulnerable and achieve our dream of a prosperous Africa. First, the COVID-19 pandemic ravaged economies and livelihoods across the continent. Then, just as countries were on the path to recovery, the war in Ukraine sent food, fertilizer and energy prices spiraling. Compared to 2021, import bills for key products, such as wheat, maize and crude oil, have doubled for many countries on the continent. Most recently, interest rate hikes in advanced economies have been driving up borrowing costs for African governments and the private sector, leading to the weakening of currencies. Further tightening of global financial conditions is expected during the coming months, with dire implications for the fiscal space of many low- and middle-income countries. None of these crises is the result of poor macroeconomic decisions by African countries. On the contrary, good macroeconomic policy fundamentals have helped many countries weather the storm over the last two years. Those muddling through need support too.

As reported by African Ministers of Finance, Planning and Economic Development and Central Bank Governors during a recent meeting with the IMF Managing Director, coordinated by UNECA, the consequences of the crises are felt intensively on the ground. The WFP estimates that 310 million Africans are likely to experience some form of food insecurity and 6 more million are at risk of extreme hunger. To support the most vulnerable, many governments are subsidizing essential food and energy products, leading to enormous additional pressures on public finances, undercutting existing recovery efforts, and further closing budgetary space for essential SDG-related spending on health, education, and infrastructure. Fertilizer price hikes and lack of timely availability threaten to provoke an even larger food crisis in the near future as many farmers need to reduce their fertilizer use on the grounds of unaffordability or availability. At a time when countries need to spend more, they lack the necessary resources to do so. The gains of decades of development in Africa are threatened. The desperation felt by millions could lead to social unrest.

Against this backdrop, African Ministers of Finance, Planning and Economic Development and Central Bank Governors call for urgent action akin to the response to the onset of the COVID-19 pandemic. We call on the G20 ministers to urgently deploy the tried and tested menu of existing financial instruments that helped stave off the last crisis. This crisis is worse and fast-moving. The G20 should promptly provide additional liquidity and policy space for African nations to help



support their populations and protect their economies. As agreed during the recent meeting with the IMF Managing Director, the Minister of Economy, Planning and International Cooperation of Senegal and the Ministers of Finance of Egypt and Ghana are signing a letter to the G20 conveying the following asks that will provide urgently needed support to Africa as it grapples with these external shocks.

New general allocation of SDRs, equivalent to the 2021 allocation of \$650bn. The war in Ukraine has led to a rise in food, fertilizer and fuel prices. It is predicted that over 6 million more people will fall into poverty. Many African governments have had to double what they spend on subsidies for food, fuel and fertilizer. In some cases, this is over \$1 billion extra a month. In addition, the monetary policy tightening in developed countries, mainly as a result of excess liquidity injected into these economies during the COVID-19 crisis, has led to the drastic depreciation of many African currencies, making the cost of food, fuel and fertilizer even higher. To avoid any further social unrest, African countries need liquidity now to respond to the livelihood pressures. We ask that the G20 supports a new SDR issuance that countries can use to shore up their currencies and address pressing import needs. The encashment cost of SDRs is significantly cheaper than going to the markets, especially now, and will help Africa access urgently needed liquidity. A commitment to a new issuance will allow countries to begin to make purchase orders for grain, food and fertilizer and create buffers for the fall and winter seasons.

Extend the G20 Debt Service Suspension (DSSI). The end of the G20 DSSI in December 2021 meant that countries are due to resume payments on their debt obligations despite a deteriorating global context, particularly for middle and low-income economies on the African continent. Given the new crisis, we ask that the G20 members extend the DSSI for two more years and reschedule the deferred interest payments for over 5 years. The DSSI created over \$12.9 billion of additional fiscal space for countries in need, and a deferment of this would allow countries space to manage the new emerging crisis while planning for a more orderly debt service obligation process. We also call on the IMF to offer debt service relief to the poorest countries exposed to the shocks, as done before at the onset the pandemic, including via the Catastrophe Containment and Relief Trust (CCRT). For low and middle-income countries, the IMF should waive surcharges for countries with large borrowings. Further, to reduce the cost of debt and to extend maturities, we call on the G20 to review the OECD rules on export credit financing.

Revamp the G20 Common Framework for debt restructuring. Many countries are in need of some form of debt reprofiling. The Common Framework has struggled to deliver a timely and orderly debt resolution process. No debt relief has been provided under the scheme as of July 2022, over 18 months after it was launched. Private creditors are expected but not legally bound to provide debt relief on comparable terms to those granted by bilateral creditors. Multilateral creditors are excluded from the Common Framework. The G20 has yet to agree that the Common Framework will allow for a debt standstill on application, which increases uncertainty for debtor countries. We request that the G20 agree to an overhaul of the Common Framework to make it more effective, time-bound, fast-tracked, transparent, and broad-based by revising its principals, procedures and Secretariat. A more robust dialogue with the private sector must be launched. The Common Framework should also be extended to a wider pool of countries, including heavily indebted middle-income countries. It should also be applied for debt reprofiling for liquidity problems, in addition to debt restructuring.



The Resilience and Sustainability Trust (RST) is a new and innovative instrument which responds to some of the asks of our countries, and we congratulate the IMF for this initiative. However, for the RST to be truly transformational, we need a fast-disbursing window in the RST to support the food and fuel BOP purchases and we must make the RST accessible to all middle-income countries.

Accelerate SDR on-lending. The G20 pledged to on-lend \$100 billion SDRs equivalent of developed country SDRs in May 2021. So far according to information from the recent meeting, the IMF has received USD \$37 billion in signed pledges for the RST and USD \$11 billion for the PRGT. This is substantially lower than the anticipated amounts. We call on all countries to support the on-lending effort by firming up their pledges to the IMF prior to the official launch of the RST in October. We also call on developed countries to step-up their commitments in subsidy resources for the PRGT, which are key to ensuring the concessionality of lending.

On climate, as we build towards COP27 we ask the G20 to support a transparent market mechanism for carbon pricing. Africa is developing a Carbon Registry and will work with international organizations to help build more transparency in the Voluntary Carbon Market. As Africa looks to increase domestic resource mobilization, transparent market mechanisms to price carbon will be an important element of Africa's strategy.

The war in Ukraine has brought to the fore the importance of energy security across the globe. For Africa energy security and economic development are intertwined with the development of gas as part of Africa's just transition. We ask the G20 to lift all restrictions on IFIs so that they can fund gas projects on the continent. Gas is an important element of health security, as well as over 3 million people die a year from poor cooking stoves, with women and young children being especially exposed. In addition, we ask that enough resources to finance climate action in Africa are allocated towards adaptation, mitigation and development and take into account Africa's diverse needs and ambitions to fight climate change. As African countries, we remain committed to our Paris obligations.

Food and Fertilizer: Call on the G20 to work to re-integrate Ukrainian grains and Russian grains and fertilizers into the world markets and ensure that no party to transactions, especially with Africa as a destination, is sanctioned. This will reassure all banks, traders and insurers and allow them to complete transactions and stabilize markets.

Africa to have a permanent seat in the G20: Increase Africa's representation in the G20 with at least one permanent seat. Increasing the continent's representation in the G20 deliberations will allow for continuity and a more responsive engagement. African countries together host 17% of the world population today with a combined GDP of nearly 2.7 trillions US dollars, the 8th highest in the world. Having Africa as a member through the African Union, will strengthen the G20.

Taken together, these efforts will create the fiscal space for countries to support their populations without undermining efforts to ensure longer-term fiscal sustainability and resilience. They will reduce human suffering, save lives and enhance global stability – common goals that we know the G20 is fully committed to.



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