



What do SDRs mean for African countries and how can they be leveraged for economic recovery? How is your coalition working with other partners to further this agenda?

**Janet Zhou, Executive Director,
ZIMCODO**

28 October 2021

CSOs IN AFRICA CALLED FOR;

- -Moratorium on debt repayments
- Halt Interest accumulation on debts and arrears
- Debt Cancellation
- No debt inducing mechanism/ intervention for LICs to cope and respond to the pandemic-
- SDR
- Debt Strike at the African level if all failed
- Grants and Debt Swaps from Creditors towards the social sector
- Accountability mechanism for responsible borrowing and lending



SDRs AS A RESPONSE

As a result of International pressures (CSOs, IMF LIC membership), the IMF issued Special Drawing Rights (SDRs) to its 190 member countries.

- Amount approved is US\$650 billion – August 2021
- Out of \$650Bn SDR allocation, about \$33Bn (5%) distributed to African countries.
- The main reason for the new issuance of SDRs to help low and middle income countries economic recovery and stabilize the world economy from the COVID-19 pandemic.



MAJOR CHALLENGES IN COVID-19

- Covid-19 global pandemic exacerbated:
- i. Extreme Poverty- 39 million Africans into extreme poverty in 2021;
- ii. Widening Inequalities
- iii) Unemployment
- At the backdrop of a ballooning and choking debt



SOCIAL SPENDING IN COVID-19

- When COVID hit as a health but also social and economic crisis, most African countries were already struggling to meet their basic agreements and protocols such as;
- - Health 15% Abuja Declaration- Education 20%
- - Water eThekweni Declaration 15%
- - Social Security/ Social Spending 4.5%
- The outcry was therefore for the International Financial Institution to intervene through various ways to create fiscal space so that LICs would be able to respond effectively to COVID-19 and save both lives and livelihoods



UNEMPLOYMENT ;

- The informal sector contributes about 55 per cent of Sub-Saharan Africa's GDP and 80 per cent of the labour force . Nine in 10 rural and urban workers have informal jobs in Africa and most employees are women and youth.
- Africa's informal sector remains the largest in the world. According to the International Labor Organization, it claims almost 90% of the economy in sub-Saharan Africa. CGD research estimates that the sector provides 90% of all new jobs and 70 %of all employment across sub-Saharan Africa.



DEBT LEVELS WHEN COVID-19 HIT



ILLICIT FINANCIAL FLOWS IN AFRICA;

- UNCTAD's Economic Development in Africa Report 2020 states that illicit financial flows rob Africa of \$88.6 billion each year . Illicit Financial Flows (IFFs) exact a toll on development for the rich and poor alike, but in Africa the poorest populations are paying the highest price.
- Aljezera noted that approximately \$89bn is lost every year due to illicit financial flows such as tax evasion and theft, amounting to more than it receives in development aid.



INTERNAL MAJOR CHALLENGES IN COVID-19

i. Crisis in and of the state –

- Identity, Capacity and Capture
- Developmental versus Predatory State Dichotomy
- Rule of Law versus *Rule by Law - Rights Deficit*

i. Crisis of Developmental Model -

- Growth emphasis versus human development deficits
- Triple Burden of Unemployment, Poverty and Inequality
- Extractive industry and Debt Burden

i. Endangered Future – Climate, Food and Finance



EXTERNAL MAJOR CHALLENGES IN COVID-19

- The current debt relief, restructuring, and reprofiling initiatives do not go far enough to address the structural and systemic issues of the global debt architecture
- Quotas are determined by member countries' relative economic position in the World economy.
- Quotas system will always see richer countries(G7/G20) get more than lower-and – middle income countries.
- G7 countries get 43% of any new issue while low-income countries get 3.2%.
- Not based on need which then would promote equity



SDR USAGE AS LEVERAGE FOR ECON RECOVERY

- SDRs enhance countries liquidity/ fiscal space.

Fiscal purposes

- Form part of the national budget- in a multi-year framework.
- SDRs provide relief to the fiscal tensions between spending and fiscal consolidation as more resources can be accessed and channelled to social and productive investments.
- country's economic recovery - to ensure the improved socio-economic well being of citizens.
- The must be used to compliment reforms and not substitute what has to be done towards rights respecting economies

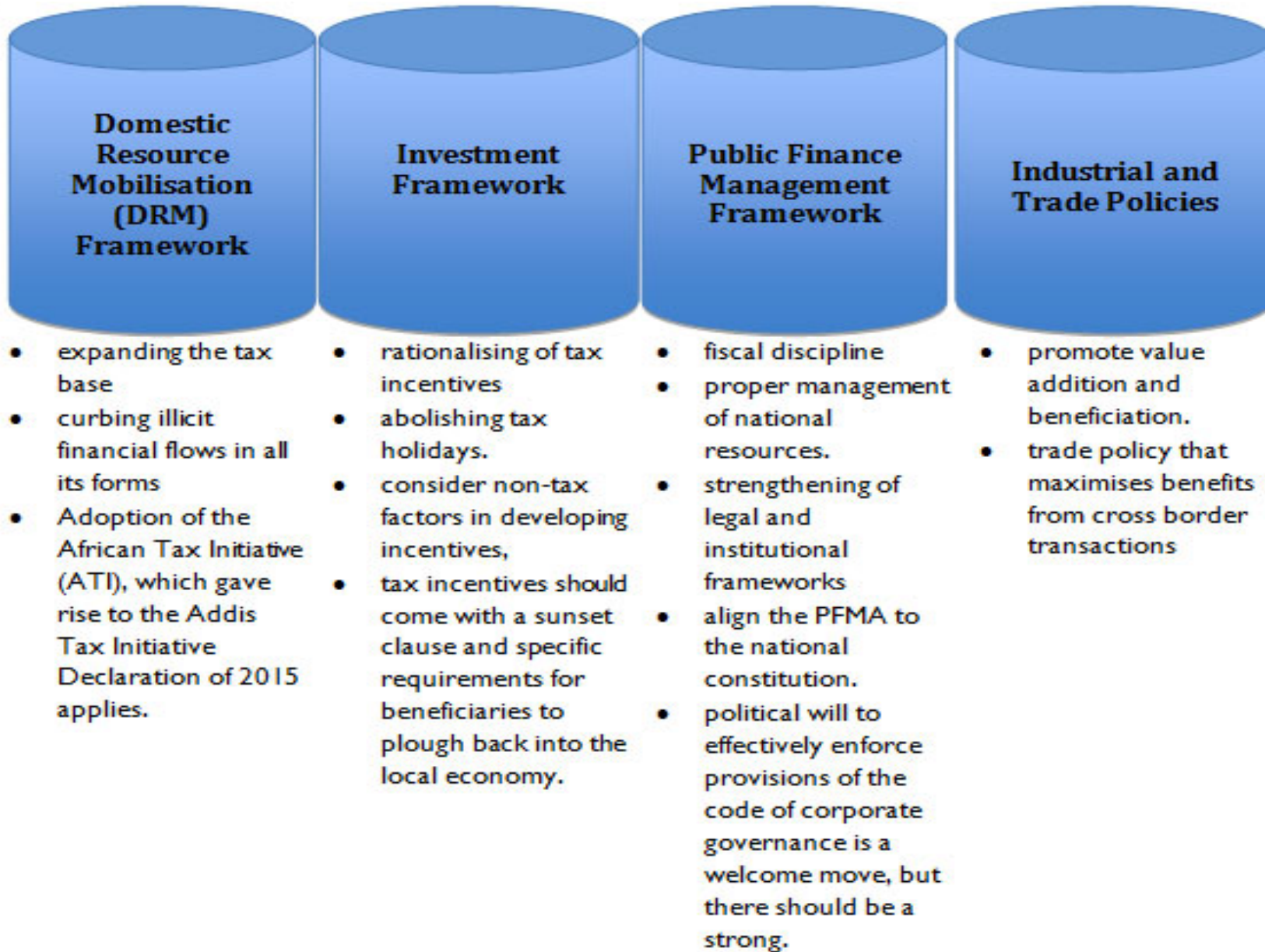


CSOS', SOCIAL MOVEMENTS VOICE

- As Civil Society Network the Demands have been on key principles in SDRs are:
 - Not debt inducing and not for Debt Repayments
 - No conditionalities
 - Debt justice- Climate justice
 - Transparency and accountability
 - Additional to existing ODA and climate finance commitment
 - Middle-income country access
- SDRs financing – SDGs and Agenda 2030.



SUPPORTING PILLARS FOR POST COVID-19 RECOVERY



IMPACT OF DEBT ON SER IN ZIMBABABWE

Right to Health

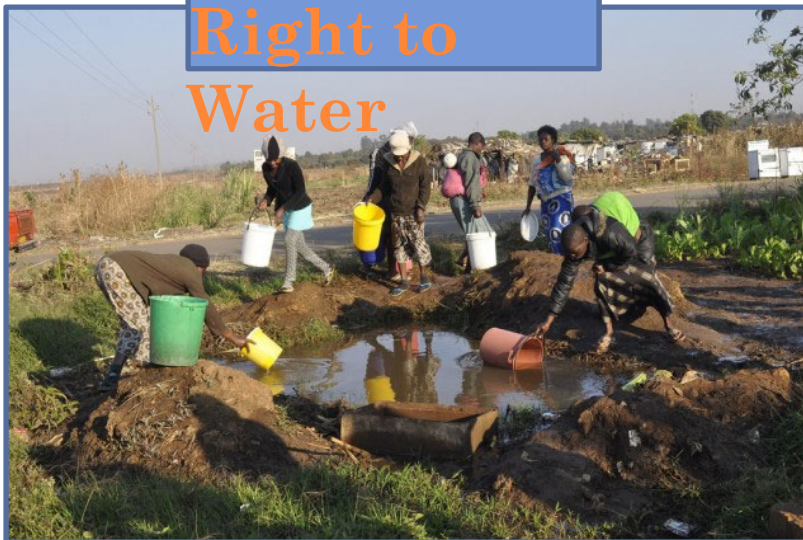


Right to Housing

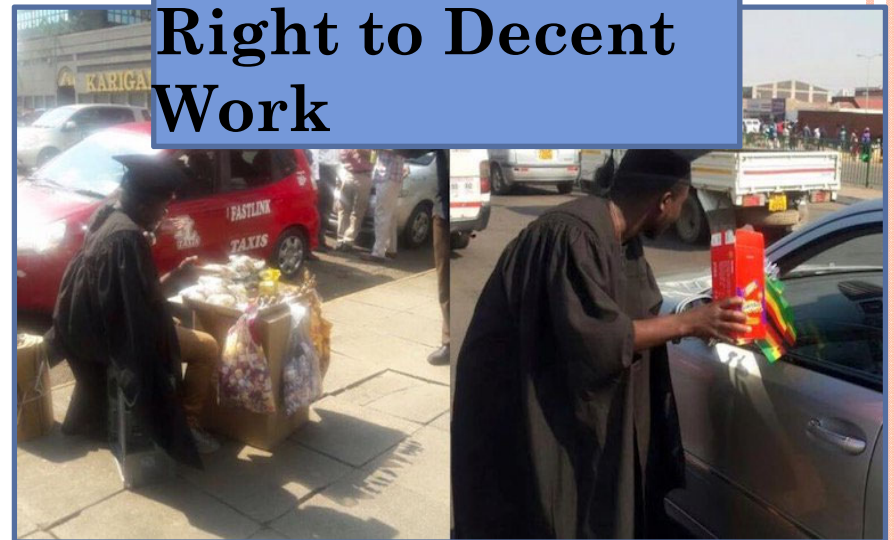


14

Right to Water



Right to Decent Work



THANK YOU FOR YOUR ATTENTION

Visit ZIMCODD at www.zimcodd.org

Like us on [zimcodd zimcodd](#), Follow us on [@zimcoddI](#),

Watch our videos on [YouTube](#)

Contacts us at zimcodd@zimcodd.co.zw.

