



# **ITUC-Africa Position Paper on Debt**

## **Towards a New Framework for Debt Sustainability and Development in Africa**

Africa Labour Research and Education Institute (ALREI),  
ITUC-Africa

August 2025

## Executive Summary

The ITUC-Africa Position Paper on Debt is a timely and urgent intervention as Africa faces an alarming sovereign debt crisis, with over half of African countries at high risk of distress, debt-service costs consuming more than 50% of government revenues in some cases, and governments forced to choose between paying creditors and providing essential services. This debt emergency has become a social and human development crisis, undermining jobs, wages, education, health, and social protection, and it calls for trade unions and civil society to step beyond protest into policy advocacy, monitoring, and global engagement. The Sovereign Debt New Deal proposed here offers unions and their allies a comprehensive advocacy platform to push for reforms that make borrowing strictly development-driven, legally tied to high-return investments in infrastructure, health, education, and peace-building, with parliamentary scrutiny of all loans and annual impact audits. It urges adoption of an African Doctrine on Debt that exempts climate, resilience, and security spending from sustainability tests, recalibrates thresholds to reflect growth potential and demographics, and guarantees automatic standstills during systemic shocks. It demands the completion of Africa's financial safety net by 2027 with an African Monetary Fund, an African Financial Stability Mechanism, and an African Credit Rating Agency to counter external bias. It calls for transforming the G20 Common Framework into a fair, time-bound mechanism binding all creditors, alongside negotiations for a UN Sovereign Debt Workout Treaty to establish a permanent, rules-based restructuring system. It emphasises turbo-charging domestic resource mobilisation by broadening tax bases, cancelling exemptions, curbing illicit financial flows worth US\$90 billion annually, conserving foreign exchange through the AfCFTA Pan-African Payment and Settlement System, and mobilising US\$50 billion in green, blue, and climate-linked bonds by 2030, scaling up debt-for-nature swaps pioneered by Cape Verde, Gabon, and Morocco. It insists on iron-clad transparency and oversight, requiring the publication of all loan agreements, quarterly debt-versus-social spending ledgers, independent trade union audits, and full parliamentary approval before borrowing. It calls for Africa to speak with one voice in global fora to secure fairer SDR reallocation, reform multilateral bank capital rules, and enforce creditor-parity laws, while embedding accountability through AU peer-review dashboards at an annual Economic and Monetary Summit. Globally, it presses for a UN-anchored Sovereign Debt Workout Framework with strict timelines, automatic standstills, and a neutral tribunal, permanent Global South representation on key bodies, needs-based SDR allocations re-channelled to African banks, climate and labour-impact tests in all major loans, and legislation to curb vulture-fund litigation. Finally, it urges the creation of permanent monitoring and advocacy pillars through union-led National Debt-Monitoring Task Forces publishing real-time scorecards on social impacts, reinforced by South-South and North-South coalitions uniting unions, civil society, academics, and pro-labour legislators to win transparency, secure independent audits, and cancel odious or corrupt debts. For unions and civil society, these recommendations are not abstract, they are tools for advocacy and engagement to defend workers' livelihoods and reclaim Africa's fiscal sovereignty for development, justice, and shared prosperity.

## **Acknowledgements**

This position paper was prepared by the African Labour Research and Education Institute (ALREI) of ITUC-Africa specifically by *Dr. Hod Anyigba*, Executive Director of ALREI and Chief Economist of ITUC-Africa. We extend our deepest gratitude to the leadership of ITUC-Africa for their unwavering support, with particular recognition to *Comrade Akhator Joel Odigie*, General Secretary of ITUC-Africa, whose guidance and commitment to advancing debt justice and protecting workers' rights remain a constant source of inspiration. We also thank the dedicated staff of ITUC-Africa who contributed to the review of this paper, ensuring its relevance and practicality for advocacy. Finally, we acknowledge the anonymous reviewers who generously offered their time and expertise; their thoughtful feedback has strengthened the analysis and sharpened the recommendations, helping to make this work a strong tool for unions and civil society across the continent.

## Background

Africa is confronting a sovereign debt crisis that has become a full-blown development emergency. Total public debt across the continent exceeded \$1.5 trillion in 2024, with debt servicing now consuming over 50% of government revenues in many countries. Over half of African nations have debt-to-GDP ratios above 60%, placing them at high risk of debt distress. This dire situation has unfolded under the legacy of the Bretton Woods system, which shaped Africa's debt governance through institutions like the International Monetary Fund (IMF) and World Bank. Despite past relief initiatives (e.g. HIPC and MDRI in the 2000s) that temporarily reduced debts, structural issues were left unresolved. Global shocks – from the COVID-19 pandemic to the Russia-Ukraine war and surging interest rates in advanced economies have pushed many African countries back into unsustainable debt. In response, African leaders, unions, and analysts are coalescing around a bold new agenda for debt resolution and sustainable development. The first African Union (AU) Conference on Debt (Lomé, Togo, May 2025) marks a turning point, yielding the *Lomé Declaration on Africa's Debt*, a unified African position calling for fundamental reforms<sup>1</sup>. Likewise, the ITUC-Africa has launched a sovereign debt campaign together with the Stop the Bleeding Campaign (STBc) partners highlighting the human and social costs of the crisis and proposing progressive solutions<sup>2</sup>. The AU/UNECA High-Level Panel on Illicit Financial Flows from Africa, chaired by former President Thabo Mbeki, issued the first comprehensive tool kit in 2015 that treated debt dynamics and illicit flows as two sides of the same coin<sup>3</sup>. It recommended tougher disclosure rules, automatic tax-information exchange, and parliamentary oversight of sovereign borrowing; ideas that remain foundational. The 2015 report was therefore the earliest continental blueprint for tackling both runaway debt and the US \$90 billion lost annually through illicit outflows. The 2025 Lomé Declaration represents the next step: it elevates those earlier recommendations into a political compact backed by heads of state, trade unions, and civil society; signalling Africa's determination to convert analysis into binding global-architecture change.

This ITUC-Africa position paper analyses Africa's current debt landscape through a continental lens, drawing on welfare economics, Keynesian and institutional economic theory, and social democratic models. It critically examines the limitations of existing frameworks (notably the G20 Common Framework) and creditor-biased analyses and assesses how high debt service costs undermine social welfare. Finally, it presents structural and policy recommendations – from African credit rating agencies to debt-for-climate swaps – as advanced by the AU, ITUC-Africa, and other stakeholders, aiming to align debt management with inclusive development and the African vision of economic sovereignty. Figure 1 shows a stacked area chart showing the evolving shares of bilateral, multilateral, and commercial creditors in Africa's public external debt. Percent-axis formatting enhances clarity on proportional shifts over time, important for understanding how creditor composition affects debt servicing and social spending.

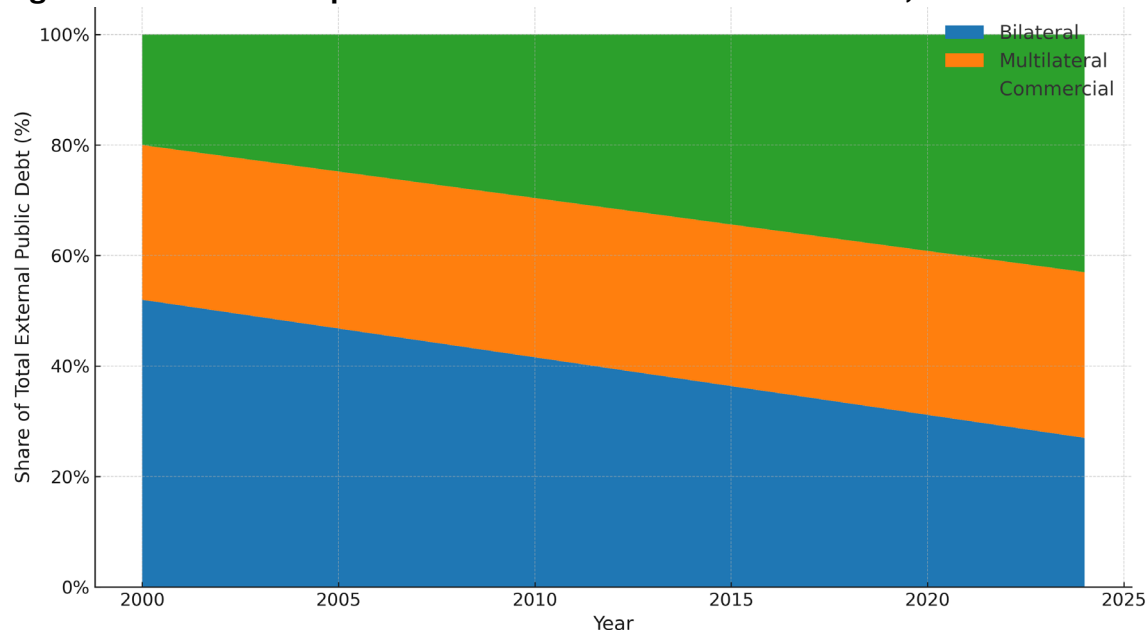
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<sup>1</sup> African Development Bank. (2024, May 15). *Annual Meetings 2024: Old debt resolution for African countries – the cornerstone of reforming the global financial architecture*. AfDB News and Events.

<sup>2</sup>ITUC-Africa. (2023, Nov). *What Can Trade Unions Do About Africa's Growing Sovereign Debt Crisis?* ALREI Report Summary. Retrieved from <https://tradeunionsinafcfta.org/what-can-trade-unions-do-about-africas-growing-sovereign-debt-crisis/#:~:text=In%20November%2C%20the%20Africa%20Regional,UNCTAD>

<sup>3</sup> United Nations Economic Commission for Africa, & African Union. (2015). *Illicit financial flows: Report of the High-Level Panel on Illicit Financial Flows from Africa* (T. Mbeki, Chair). Addis Ababa: UNECA.

**Figure 1. Creditor Composition of Africa’s Public External Debt, 2000–2024**



**Note:** Authors own Analysis. Data Sources: World Bank International Debt Statistics (IDS) and Debtor Reporting System (DRS), African Development Bank reports, OECD Creditor Reporting System (CRS).

### Africa’s Sovereign Debt Landscape in Context

After a period of relative relief following the 2000s debt cancellations, Africa’s public debt has surged over the last decade, reaching precarious levels by the mid-2020s. Median government debt in Africa hovers around 65% of GDP (up from approximately 60% pre-pandemic)<sup>4</sup>, and external debt stood at \$1.15 trillion at end-2023. The creditor profile has shifted markedly since the era of Bretton Woods-dominated lending: bilateral official creditors now hold only about 27% of Africa’s debt (down from 52% in 2000), while commercial creditors (eurobond holders, banks) account for roughly 43%, up from 20% two decades ago. This fragmentation of creditors has complicated debt workouts “by the Bretton Woods institutions,” as AfDB President Akinwumi Adesina noted, because traditional forums like the Paris Club no longer have a monopoly on creditors. Many African governments tapped international capital markets in the 2010s, attracted by low global interest rates; but as the U.S. Federal Reserve and other advanced economy central banks tightened policy in 2022–2023, borrowing costs for Africa spiked. Currencies depreciated and refinancing of maturing bonds became difficult, pushing vulnerable countries into crisis.

Empirical cases illustrate the continent-wide distress. Ghana, for instance, saw its debt-to-GDP ratio soar above 80% by 2022 amid a depreciating currency and fiscal deficits. By 2020, Ghana’s debt service-to-revenue ratio hit 127% – meaning debt payments exceeded the government’s total revenues – the highest such burden in sub-Saharan Africa. Even in the years prior, Ghana was spending on average 42% of its revenue on debt servicing (2017–2022), a sharp rise from 27% in the early 2010s<sup>5</sup>. This untenable situation forced Ghana to

<sup>4</sup> [Ibid.](#)

<sup>5</sup> United Nations Office of the Special Adviser on Africa (OSAA). (2024). *Unpacking Africa’s Debt: Towards a Lasting and Durable Solution*. New York: United Nations.

default on portions of its debt and seek an IMF bailout in 2022. It undertook a painful domestic debt exchange and is negotiating external debt restructuring as of 2024<sup>6</sup>. Zambia was the first African country to default in the COVID era (November 2020) and endured a protracted restructuring process under the G20 Common Framework. Its public debt had exceeded 120% of GDP, and in its 2021 budget Zambia shockingly allocated more funds to external debt service than to education, health, water and sanitation combined<sup>7</sup>. After nearly three years of negotiations (marked by disputes between Western bondholders and Chinese lenders), Zambia secured a restructuring deal in 2023 – a process so sluggish it underscored the dysfunction of existing mechanisms<sup>8</sup>. Kenya has not defaulted but faces mounting risks: public debt is about 70% of GDP, and debt service is consuming over 45% of government revenues, straining its budget. In 2023, Kenya’s government moved to raise taxes (a form of domestic resource mobilization) to meet debt obligations, sparking public protests over the high cost of living and IMF-imposed fiscal reforms. Ethiopia, meanwhile, entered the G20 Common Framework in early 2021 seeking to pre-empt default, as its debt became unsustainable after heavy infrastructure borrowing and the shock of civil war. However, its restructuring has stalled amid geopolitical instability. Ethiopia’s case exemplifies how conflict and weak institutions exacerbate debt crises, a reminder that peace and governance are critical for debt sustainability. Across the continent, 20 countries are either already in external debt distress or at high risk as of April 2024, from large economies like Nigeria (whose debt remains moderate as share of GDP but with a very low revenue base) to other states like Mozambique and Angola (facing solvency concerns due to commodity price swings)

Crucially, Africa’s debt crisis is not merely a financial problem – it is, as one AU Commissioner observed, “now a human development crisis”<sup>9</sup>. High debt levels have failed to translate into commensurate economic growth or structural transformation, in part because much borrowing has financed consumption or unproductive projects. UNECA’s Executive Secretary, Claver Gatete, noted at the Lomé AU Debt Conference in May 2025 that “debt is not inherently bad; what matters is what it’s used for”, underscoring that borrowing should target productive investments in energy, industry, and infrastructure. In practice, however, many African countries have borrowed heavily just to plug budget deficits or roll over past debts, leaving them “trapped in low-productivity, low-wage jobs” and without the infrastructure necessary for growth. The Bretton Woods-era approach to development finance has not delivered the promised structural change. Africa was the only region with negative real GDP per capita growth in the 1980s and 1990s – the “lost decades” – largely due to austerity and stagnation following the 1980s debt crisis. Today, there is growing recognition that without bold reforms, the current debt quagmire could herald another lost decade. The global financial architecture “as currently constituted, does not meet Africa’s expectations”, states Adesina, pointing to systemic biases that keep Africa on the periphery of global finance. In sum, Africa’s debt landscape in 2025 is characterized by high levels of obligations, a creditor mix tilted towards private lenders, and a context of global monetary tightening, all combining to make traditional debt solutions (largely orchestrated by IMF/World Bank and G20 creditors) increasingly inadequate. This sets the stage for exploring how debt burdens are impacting welfare and for evaluating alternative approaches grounded in economic theory and new policy paradigms.

## **Debt Servicing and Social Welfare: Austerity’s Toll**

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<sup>6</sup> ITUC-Africa. (2024, Jan). *New Year Message: Africa’s Debt Crisis* (ITUC-Africa General Secretary statement).

<sup>7</sup> Amnesty International. (2023, June). *On Zambia, health, and public debt: Alternatives to austerity*. Amnesty Campaigns.

<sup>8</sup> African Development Bank. (2024, May 15). *Annual Meetings 2024: Old debt resolution for African countries – the cornerstone of reforming the global financial architecture*. AfDB News and Events.

<sup>9</sup> UNECA. (2025, May 12). *First African Union Debt Conference convenes in Lomé: Five imperatives for restoring Africa’s fiscal sovereignty*. United Nations Economic Commission for Africa News.

Ballooning debt burdens have direct and devastating implications for human welfare across Africa. Many African governments now spend more on servicing debt than on essential social services, a reversal of the developmental state's priorities. According to the AU and UNCTAD, debt repayments already swallow a greater share of public revenue than education, health care, and social protection combined in numerous countries. The United Nations Secretary-General starkly noted that "*Africa currently spends more on debt service costs than on health care*"<sup>10</sup>. This guns-versus-butter dilemma (or rather, debt-versus-social spending) has worsened over the past decade. In 2010, African countries paid about \$17 billion in external debt service; by 2024 that figure had surged to \$74 billion. As a share of government income, debt service rose from an average of 5% of revenues in 2010 to roughly 11% of total revenues by 2024. However, this average masks severe cases: e.g. Ghana's interest and amortization payments equalled 117% of government revenue in 2022, effectively meaning the country had to borrow just to service existing debt. The welfare opportunity cost is enormous with resources channelled to creditors are resources not spent on hospitals, schools, clean water, or social safety nets.

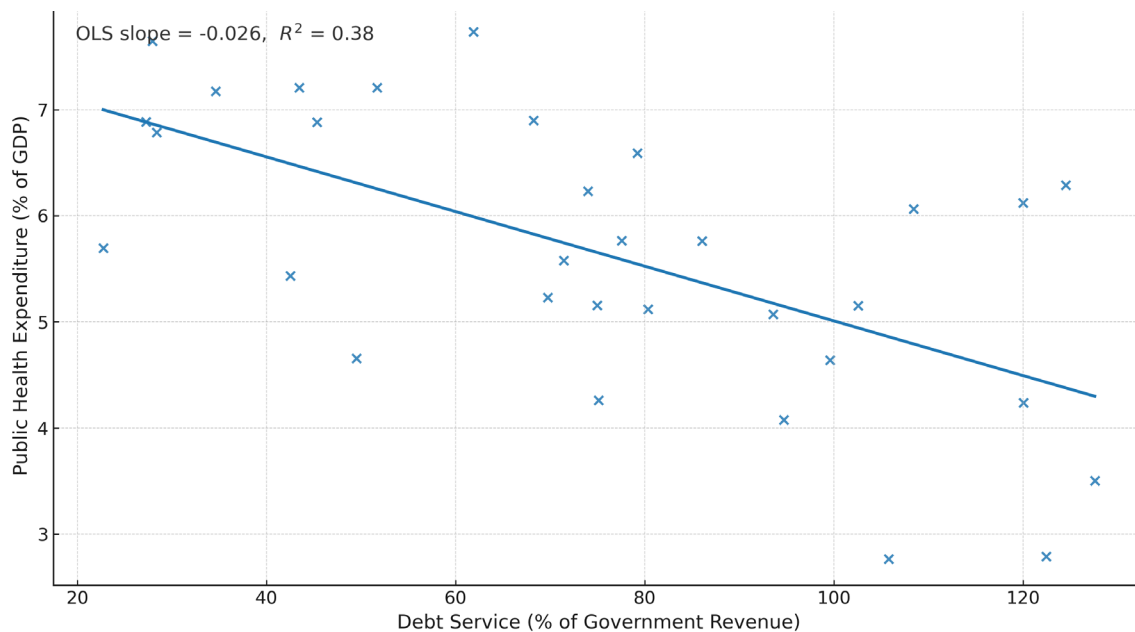
From a welfare economics perspective, this represents a net loss in societal well-being. Public investments in health, education, and sanitation have high social returns and positive externalities (a healthier, more educated populace boosts productivity and quality of life). When these investments are crowded out by debt payments, the social welfare function, which might weight the utility of the poorest heavily then deteriorates. Empirical evidence bears this out. A recent ITUC-Africa econometric study found that high public-debt-to-GDP levels are statistically associated with reduced public spending on healthcare, education, and social protection in African countries<sup>11</sup>. In welfare terms, debt overhang imposes an intergenerational cost: future growth potential is undermined by under-investment in human capital today, and current inequalities worsen as the poor bear the brunt of cuts to public services. This dynamic is evident in Zambia, where austerity measures during its debt crisis led to shortages of essential medicines and hiring freezes for teachers and health workers. In Kenya, high debt service has constrained the government's ability to respond to droughts and COVID-19 impacts, exacerbating hunger and unemployment. And in Ghana, the fiscal crunch preceding its default saw capital expenditures (e.g. for infrastructure) slashed in order to free up funds for interest payments. Each of these cases reflects a welfare loss, measured not just in GDP, but in quality-of-life indicators like *literacy, life expectancy, and poverty rates*. Figure 2 shows a cross-country correlation between debt service as a share of government revenue and public health spending as a share of GDP. An OLS regression line highlights the negative slope, indicating that countries with greater debt servicing tend to spend less on health. The R<sup>2</sup> measures fit, a succinct visual of the crowding-out hypothesis.

### **Figure 2. Crowding-Out Between Debt Service and Public Health Expenditure (2000-2022)**

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<sup>10</sup> Guterres, A. (2023, May 19). *Remarks at Africa Dialogue Series High-level Policy Dialogue*. United Nations Secretary-General Statements.

<sup>11</sup> ITUC-Africa. (2023, Nov). *What Can Trade Unions Do About Africa's Growing Sovereign Debt Crisis?* ALREI Report Summary.



**Note:** Authors own Analysis. Data Sources: World Bank’s World Development Indicators (Debt service as % of revenue; Health expenditure, public as % of GDP).

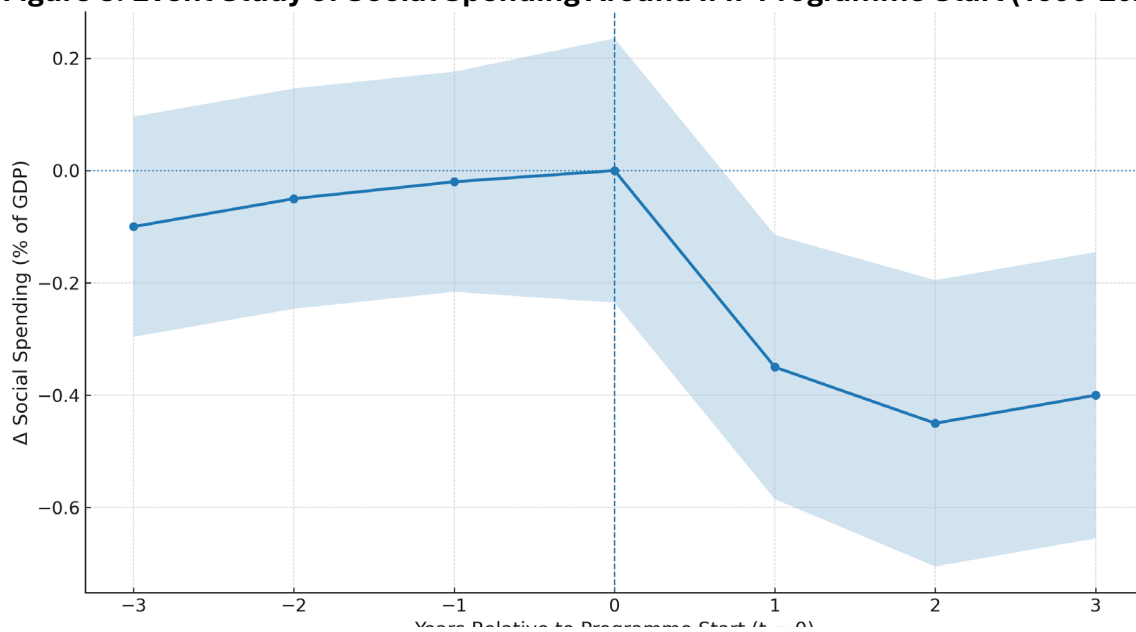
High debt servicing also triggers Keynesian macroeconomic concerns. In many African countries, the debt crisis has forced abrupt fiscal consolidation (spending cuts and tax hikes) at a time of economic slowdown; a pro-cyclical policy mix that deepens recessions. Keynesian theory warns against such austerity in a downturn: reducing government spending shrinks aggregate demand, which can lead to higher unemployment and lower output, further undermining the debt-to-GDP ratio. This “austerity trap” was observed in the 1980s structural adjustment era and is resurfacing. For example, Ghana’s 2023 IMF program required steep reductions in public expenditure; while aimed at restoring fiscal stability, in the short run it has contributed to an economic contraction and job losses, illustrating the Keynesian multiplier in reverse. An ITUC-Africa study reports that external debt accumulation often correlates with “*job losses, public sector wage freezes, and currency depreciation*”, all of which erode workers’ real incomes and aggregate demand<sup>12</sup>. By contrast, a Keynesian approach would advocate counter-cyclical fiscal policy, such as stimulus or at least preserving social spending to support incomes and recovery. This contradiction highlights an inherent bias: prevailing debt sustainability assessments emphasize short-term fiscal metrics (like debt ratios) over longer-term development and employment outcomes. Put simply, the current system often prioritizes repaying creditors over maintaining basic living standards. A prioritization agenda which is at odds with social welfare maximization.

The Nordic social democratic model offers an illuminating contrast. In Nordic countries, strong social safety nets and high public investments in human development are seen not as expendable luxuries, but as foundations for sustainable growth. These countries historically achieved high welfare outcomes while maintaining fiscal discipline through progressive taxation and effective governance. For African nations, emulating aspects of the Nordic model would mean safeguarding social sector budgets even amid fiscal adjustments, ensuring that austerity does not fall hardest on health, education, and social protections. However, high debt servicing makes this extremely difficult. A social democratic economic perspective would criticize the current creditor-centric approach for ignoring distributional effects and human

<sup>12</sup> ITUC-Africa. (2023, Nov). *What Can Trade Unions Do About Africa’s Growing Sovereign Debt Crisis?*. ALREI Report Summary.

development. Indeed, ITUC-Africa and civil society voices have called for “alternatives to IMF-inspired austerity measures that disproportionately cut expenditure on health, education, and social protection”, in order to protect workers and vulnerable groups. Welfare economics supports this stance by noting that the marginal social benefit of spending \$1 on a child’s education far exceeds that of \$1 repaid to creditors at the expense of that education. The *Lomé Declaration* echoes this logic, urging that “security, health, and climate expenditures be excluded from debt sustainability analyses... so as not to penalise countries that prioritize resilience and stability”<sup>13</sup>. In other words, African leaders are arguing that certain public investments should be treated as sacrosanct due to their outsized social returns. A principle very much in line with welfare-maximizing policy. Figure 3 shows the event-time coefficients depicting changes in social spending (as % of GDP) from three years before to three years after IMF programme initiation (t = 0) over a period. Point estimates (dots) and 95% confidence intervals (shaded band) illustrate the trajectory, with a vertical zero-reference aiding interpretation of pre-trends and post-impact.

**Figure 3. Event Study of Social Spending Around IMF Programme Start (1990-2022)**



**Note:** Authors own Analysis. Data Sources: IMF Social Expenditure Database (SXD), Government Finance Statistics (GFS), and IMF loans database (for programme start dates).

In sum, the burden of Africa’s debt has manifested as a welfare crisis, curtailing governments’ ability to provide basic services and invest in the future. By cutting social spending to meet debt obligations, countries are sacrificing long-term human development for short-term financial solvency; a trade-off that is economically myopic and ethically fraught. The social costs (in lost lives, learning, and livelihoods) call for urgent solutions that restructure debt while protecting social sector outlays. As the next sections discuss, this requires rethinking the frameworks and assumptions that have governed sovereign debt, injecting considerations of *equity, human welfare, and sustainable growth* into what has traditionally been a creditor-driven domain.

<sup>13</sup> African Union. (2025, May 14). *Draft Lomé Declaration of the AU Conference on Debt*. Lomé, Togo: AU Conference on Debt.

## Flaws in the Current Architecture: G20 Common Framework and Creditor Bias

The ineffectiveness of existing debt resolution mechanisms has become painfully evident in Africa's recent experiences. The G20 Common Framework (CF) for Debt Treatments, launched in 2020, was meant to streamline the restructuring of unsustainable debts by bringing official bilateral creditors (including China) into coordination with the Paris Club. In practice, the Common Framework has been beset by delay, uncertainty, and creditor-centric bias. Of the four African countries that applied to the CF, Chad, Ethiopia, Zambia, and Ghana – only one (Zambia) has completed the process so far. Zambia's case highlighted major CF limitations: protracted negotiations (nearly 3 years) and lack of clear timelines, unequal creditor engagement (e.g. lengthy haggling between Chinese and Western creditors), and no enforcement mechanism to bind private lenders to comparable relief terms. The AU's Lomé Declaration explicitly "*NOT[ED] WITH CONCERN*" that the Common Framework "*has not provided a pathway towards the quick restoration of debt sustainability,*" leading to skepticism about its effectiveness for Africa. African countries argued in Lomé that the G20 framework is too slow, too creditor-driven, and no longer fit for purpose. They call for significant reforms: establishing clear comparability of treatment across creditors, greater transparency, and automatic standstills on debt service for countries undergoing CF negotiations. In effect, African leaders seek to "reform the G20 Common Framework to ensure it delivers timely and adequate relief", leveraging the AU's new status as a G20 member to press this point. The Lomé Declaration urges introducing binding time limits and coordinated negotiations so that no single creditor can hold up the process. This push reflects frustration that under current rules, creditors' procedures take precedence over African economies' urgent needs.

Beyond the CF, there is a broader critique of how debt sustainability analysis (DSA) and credit ratings are conducted, often embedding a creditor bias. The existing DSA frameworks (used by IMF/World Bank) focus heavily on liquidity and solvency indicators (debt-to-GDP, debt service-to-exports, etc.), but critics argue they give inadequate weight to a country's domestic spending needs and development priorities. There is a built-in conservatism that tends to err on the side of fiscal retrenchment (to ensure debt repayment) rather than allowing higher deficits for growth-enhancing investment. The AU debt declaration bluntly states that current debt analysis tools are "obsolete... and hinder essential investments in human capital [and] critical infrastructure", calling for a shift away from "*counterproductive technical automatism*" towards pragmatic approaches that consider each country's development context. In practical terms, African policymakers are saying that a mechanical application of thresholds (e.g. a 55% debt/GDP as "sustainable" limit for low-income countries) can be misguided, if achieved by slashing education spending, that "sustainable" debt level might come at the cost of future growth and stability. As noted, the Lomé Declaration even suggests excluding certain high-priority expenditures (on health, climate adaptation, security) from DSA calculations, an idea that challenges orthodox IMF analysis but is rooted in a welfare-oriented view. This critique aligns with institutional economics arguments: global financial institutions have institutionalized certain practices (like the Debt Sustainability Framework) that reflect the priorities and risk aversion of creditors, rather than the long-term development goals of debtor nations. Changing these requires institutional reform and new norms which African states are collectively advocating for.

A related concern is the bias of credit rating agencies and the resulting "Africa premium" on borrowing costs. Three Western-based agencies (S&P, Moody's, Fitch) dominate sovereign credit ratings, and their assessments significantly influence bond yields and investor behaviour. African leaders and researchers have long suspected that these ratings undervalue African economies and overstate risk, leading to unnecessarily high interest rates. This is not just anecdotal, data support the claim. For instance, African countries' actual default rates on infrastructure loans (5.5%) have been lower than those in Latin America (13%) or Asia (8.5%),

yet African issuers pay higher spreads<sup>14</sup>. Rating agencies have been quick to downgrade African sovereigns during global volatility (as seen in 2020), sometimes triggering self-fulfilling prophecies of lost market access. The institutional bias here is partly informational (limited on-the-ground knowledge, reliance on global risk sentiment) and perhaps partly historical. Whatever the cause, the impact is tangible: “the perception of risk in Africa, reflected by the global ratings, results in an often-unjustified increase in borrowing costs”. To counter this, the AU and regional bodies are proposing an African Credit Rating Agency (ACRA). The idea is to develop a rating mechanism that “*reflects the continent’s realities and growth potential*”, as Gatete put it at the AU debt Conference. Indeed, establishing an African Credit Rating Agency was formally endorsed by the AU in early 2025. Such an agency could provide a second opinion on creditworthiness, potentially mitigating the effects of biased downgrades and giving investors a more nuanced view of African sovereign risk. It’s a classic institutionalist solution: create new institutions to challenge or complement the dominant ones, thus rebalancing power asymmetries in the international financial architecture.

Another deficiency of the status quo is the absence of a systemic sovereign debt workout mechanism akin to national bankruptcy laws. Currently, when countries like Ghana or Zambia face insolvency, there is no clear legal framework to restructure debts in a timely and fair manner. negotiations rely on ad hoc creditor committees and political pressure. This often leads to creditor free-riding (e.g. hedge funds holding out for full repayment) and delays that harm debtor economies. From an institutional perspective, this is a major gap in the global financial system’s design (a point long argued by UNCTAD and some economists). The Lomé Declaration takes up this cause by calling for a “UN Framework Convention on Sovereign Debt”, essentially a global treaty to govern debt restructuring. Such a convention, if realized, would create a legally binding process for debt resolution under the auspices of the United Nations, where African countries would have a more equal voice. It would aim for comprehensive, fair, and effective mechanisms to prevent and resolve debt crises, ensuring that lenders and borrowers share the burdens of adjustment. This proposal reflects a deep frustration with leaving life-or-death economic decisions to the goodwill of creditors’ clubs and financial markets. It is also a recognition that sovereign debt crises are not merely financial events but socio-economic disasters that should be managed with clear rules prioritizing human welfare (e.g. standstills on debt while preserving funds for essential services).

In summary, the current global framework for managing sovereign debt, largely an outgrowth of the mid-20th-century Bretton Woods system, is viewed by African stakeholders as inadequate and biased. The G20 Common Framework, while a step toward inclusivity, has proven “outdated and creditor-biased”, necessitating overhaul. Credit rating agencies and DSA models embed assumptions that often work against debtor countries, leading to higher costs and forced austerity. These systemic issues underscore the need for both immediate fixes (e.g. CF reform, temporary payment standstills) and structural changes (new institutions and rules). As the next section details, African nations, supported by trade unions and civil society – are advancing a comprehensive reform agenda that addresses these flaws. This agenda draws on principles of economic justice, transparency, and shared responsibility, aligning with models of economic governance (such as the social-democratic approach) that emphasize balancing growth with equity and sovereignty with solidarity.

## **Why Does It Matter and What Can Unions Do?**

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<sup>14</sup> African Development Bank. (2024, May 15). *Annual Meetings 2024: Old debt resolution for African countries – the cornerstone of reforming the global financial architecture*. AfDB News and Events.

In 2022, Ghana's interest-and-amortisation bill totalled 117 percent of government revenue, triggering a pay-freeze for roughly 650 000 public workers<sup>15</sup>. Zambia remitted US \$1.4 billion to creditors in 2021, more than its entire spending on health, education, water, and sanitation, and then halted new rural-health hires<sup>16</sup>. Kenya now diverts about 45 percent of every tax shilling to debt service, leaving over 5 000 authorised teaching posts unfunded in 2023/24<sup>17</sup>. These numbers translate sovereign borrowing into everyday hardship: wages stagnate, vacancies go unfilled, and clinics and classrooms close whenever the public purse is drained by creditors.

Because the pain lands squarely on jobs, pay, and essential services, trade unions must shift from street protest to the engine-room of fiscal governance. Unions must campaign for Debt-Transparency Acts that publish every loan contract and repayment schedule; win permanent worker seats on national debt committees; and train shop-stewards as "budget watchdogs" who help run independent debt audits. A central aim of those audits is to expose odious liabilities<sup>18</sup>, i.e. loans contracted without public consent, tainted by corruption, or yielding no social benefit, and to press for their cancellation via a UN-backed tribunal. At the same time, labour must hold its own governments to account for domestic failings; poor project selection, inflated procurement, and the sidelining of parliamentary oversight, that turn manageable loans into social disasters.

Progressive allies in the Global North can amplify this worker-led agenda. Academic networks supply empirical evidence on debt's labour-market impact; global civil-society coalitions lobby for anti-vulture-fund statutes and fairer Special Drawing Rights allocation; and sympathetic legislators in the U.S. Congress and European Parliament must push bills that require private creditors to participate in debt restructurings on equal terms. By forging these North-South partnerships, African unions can add research muscle, media reach, and legislative leverage to their grassroots power to turn sovereign debt from a closed technocratic sphere into a global struggle for transparent budgets, honest spending, and development that truly delivers for workers and communities.

## Towards a Sovereign Debt **New Deal**: Reforms and Recommendations

Confronting the debt crisis requires a multifaceted strategy, combining global advocacy with *homegrown solutions*. African policymakers, the AU, and ITUC-Africa have articulated a suite of structural reforms and policy innovations to break the cycle of debt distress. These recommendations aim to restore fiscal space for development while instituting fairer rules in the international financial system. Key proposals include:

1. Make borrowing strictly development-driven  
ITUC-Africa insists that every new loan be linked to transparent, high-return programmes in infrastructure, health, education, or peace-building. Governments

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<sup>15</sup> International Monetary Fund. (2024). *Ghana: Staff report for the 2024 Article IV consultation* (IMF Country Report No. 24/213).

<sup>16</sup> Amnesty International. (2023). *On Zambia, health, and public debt: Alternatives to austerity*. Author.

<sup>17</sup> Republic of Kenya National Treasury. (2023). *2023/24 medium-term budget policy statement*. Government Printer.

<sup>18</sup> Odious debt, also known as illegitimate debt, is a legal theory asserting that debts incurred by a despotic or tyrannical regime should not be enforceable by a successor government. These debts are considered the personal liabilities of the previous government and not obligations of the state.

- should table an *investment-quality statement* before Parliament and publish annual impact audits.
2. Adopt an African Doctrine on Debt  
Current global indicators are conservative and outdated. African finance ministers should endorse a doctrine that:
    - exempts climate-, resilience-, and security spending from debt-sustainability tests;
    - adjusts debt thresholds to growth potential and demographic dynamics; and
    - activates automatic debt-service standstills during systemic shocks or pandemics.
  3. Finish building the continental safety net. Capitalise and launch by 2027:
    - an African Monetary Fund to provide counter-cyclical finance;
    - an African Financial Stability Mechanism as a liquidity back-stop; and
    - an African Credit Rating Agency to counter external rating bias and lower risk premia.
  4. Transform the G-20 Common Framework  
Africa must demand time-bound negotiations, legally binding participation of private creditors, and eligibility for highly indebted middle-income states. Parallel negotiations for a UN debt-work-out treaty should begin immediately.
  5. Turbo-charge domestic resource mobilisation
    - Broaden tax bases and cancel wasteful exemptions.
    - Curb illicit financial flows about US \$90 billion a year.
    - Use the AfCFTA Pan-African Payment and Settlement System to conserve foreign exchange.
  6. Mobilise US \$50 billion in green, blue, and climate-linked bonds by 2030  
Scale up debt-for-nature swaps and replicate the pioneering issues of Cape Verde, Gabon, and Morocco; integrate sustainability targets into all new sovereign bonds.
  7. Legislate iron-clad transparency and oversight  
Publish every loan agreement; release quarterly debt-versus-social-spending ledgers; empower independent trade-union debt audits; and make full parliamentary approval a legal pre-condition for new borrowing.
  8. Speak with one African voice in global fora  
Coordinate positions at the IMF, World Bank, and G-20 to secure fair SDR re-allocation, reformed MDB capital rules, and enforceable creditor-parity laws that deter vulture-fund hold-outs.
  9. Embed data-driven accountability  
Integrate debt, budget, and SDG dashboards into an AU peer-review system hosted at an annual Economic and Monetary Summit, ensuring that “transparency” evolves into full accountability.
  10. Call for a renewed global financial architecture
    - Create a UN-anchored Sovereign-Debt Workout Framework a standing, rules-based system with strict timelines, automatic payment standstills, and a neutral international debt tribunal to bind all creditors.
    - Win permanent Global-South representation including an African voting seat on all key standard-setting bodies (IMF Board reform, G-20, Basel Committee, OECD tax forums, IOSCO).
    - Mandate that future SDR allocations follow a needs-based formula, with an automatic re-channel of unused SDRs through African multilateral banks.
    - Embed climate-resilience and labour-impact tests in World Bank and regional-bank policy loans, ensuring social and green objectives carry the same weight as fiscal targets.
    - Negotiate global legislation to curb vulture-fund litigation and guarantee “comparable treatment” across official and private creditors in every restructuring.
  11. Build a permanent union-and-civil-society monitoring and advocacy pillar

- Establish National *Debt-Monitoring Task Forces* led by trade-union centres and like-minded CSOs to publish real-time scorecards showing how each repayment affects wages, hiring and social services. This would be the driver of advocacy which will be empirically based.
- Forge dynamic South–South and North–South coalitions which will unite African unions with progressive civil-society networks, academics, and pro-labour parliamentarians worldwide, to win debt-transparency laws, back independent audits, and secure the cancellation of odious or corrupt loans in every restructuring.

## Moving Forward

Africa's sovereign debt crisis is at a crossroads. The continent's leaders, economists, and civil society are increasingly unified in diagnosing the problem: a confluence of unsustainable debt accumulation, inadequate global support mechanisms, and a bias towards creditor interests that has subordinated Africa's development needs. The Bretton Woods system, for all its contributions, has not prevented serial debt crises in Africa and in some respects, its policies have compounded the hardship by prescribing contractionary measures that undermine social welfare. As we have seen, the current debt situation exacts a high toll on human development, with governments forced to choose between paying creditors and providing basic services. This is an untenable choice that calls for reimagining the norms and institutions governing sovereign debt. The recent AU Lomé Declaration (May 2025) and the ITUC-Africa's campaign signal a resolve to change the narrative: Africa is asserting itself not as a supplicant seeking one-time relief, but as a partner demanding a fair, rules-based, and development-oriented debt regime. In Lomé, African states collectively declared that debt must become "a tool for development, not a budgetary straitjacket", capturing the ethos of a new approach that ties debt to the achievement of social goals.

Realizing this vision will require translating proposals into action. In practical terms, that means pushing reforms at forums like the G20, United Nations, and IMF/World Bank – for example, to implement a global sovereign debt workout mechanism and to re-channel substantial SDR resources to Africa. It also means building the capacity of initiatives such as the African Financial Stability Mechanism and African Monetary Fund, so that in future crises, Africa has its own lender-of-last-resort facilities and is less beholden to external conditionalities. Equally important is internal discipline and creativity: improving tax collection, managing public finances transparently, and harnessing tools like debt-for-climate swaps to address both financial and environmental vulnerabilities. The involvement of organized labour and civil society as advocates for the most vulnerable will help ensure that debt strategies remain anchored in improving welfare and reducing inequality, rather than merely satisfying numerical targets. Trade unions, for example, can help monitor that any fiscal adjustments protect jobs and essential spending, consistent with a social democratic ethos of shared prosperity.

Ultimately, resolving Africa's debt crisis in a sustainable manner is not only an African interest but a global one. High debt in Africa threatens international development goals, global financial stability, and the promise of shared growth through initiatives like the African Continental Free Trade Area. As UN Secretary-General António Guterres observed, the global financial system is "*structurally unfair to developing countries in general and African countries in particular*", and he has urged fundamental reform including greater African representation at the highest decision-making levels. Such reform is a prerequisite to avoid repeating cycles of crisis. The institutional changes discussed – from credit rating to debt resolution – aim to tilt the balance towards a more equitable system, one where lenders and borrowers engage on more equal footing and where "debt sustainability" is redefined to incorporate human development thresholds (not just debt ratios). This would mark a paradigm shift akin to a new Bretton Woods

moment, potentially establishing frameworks that prevent crises rather than react to them after social damage is done.

The position emerging from Africa is clear: debt problems must be addressed comprehensively, proactively, and with justice at the core. The Lomé Declaration's call for a "*principled, unified action*" encapsulates the hope that African countries, speaking with one voice, can secure a fair deal for the continent. Such a deal would involve not only debt relief and better terms but also commitments to channel the freed resources into public goods and structural transformation, fulfilling the promise that debt, when used wisely, fuels development rather than hinders it. Aligning with Keynesian logic, investments in people and infrastructure today can expand the economic base tomorrow, making debts more serviceable in the long run. In the spirit of welfare economics and the Nordic model, the ultimate goal is an African economy that grows robustly while providing broad-based social protection and opportunity. The road ahead will require perseverance, negotiation, and likely further turbulence, but the steps being taken now – forged in conferences, campaigns, and declarations – are laying the groundwork for Africa to escape the debt treadmill and stride toward fiscal sovereignty and social prosperity. The stakes are high: if these reforms succeed, Africa could unleash a new era of sustainable development; if they falter, the continent risks a prolonged period of austerity, instability, and lost human potential. The world cannot afford the latter outcome, and Africa's people deserve the former. The time for bold action on sovereign debt – in Africa and beyond – is now, guided by the principles of justice, solidarity, and shared progress that are at the heart of the emerging African common position on debt.



# ITUC-AFRICA

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