

RELEASE

A FLEXIBLE MECHANISM FOR DEBT REDUCTION AND SUSTAINABLE DEVELOPMENT. DRAFT CONCEPT TO RELAUNCH INTERNATIONAL COOPERATION

A win-win proposal for the international community

Introduction

Excessive public debt is a threat to the economic growth and sustainability of low-and middle-income countries around the world and, if mismanaged, could reverse decades of development gains. This is particularly the case in Sub-Saharan Africa (SSA), where the volume of [nominal public debt has more than tripled since 2010](#), to about \$1.152 trillion at the end of 2023, mainly as a result of weak debt management systems, significant debt transparency issues, weak macro-fiscal management, greater reliance on costlier and riskier sources of financing, and [adverse negative shocks](#). This trend shows no sign of letting up: the war in Ukraine halted the fiscal consolidation process of many countries in the region that started in the aftermath of the COVID-19 pandemic.

As countries increasingly resorted to measures such as subsidies, temporary waivers of tariffs and levies, and income support for the most vulnerable people - in an effort to limit the rise of food, fertilizers, and fuel prices - the [fiscal deficit of the SSA region widened to 5.2 per cent of GDP in 2022 and 2023, up from](#) 4.8% of GDP in 2021. This pushed the median public debt-to-GDP ratio from 32 per cent in 2010 to 57 per cent in 2022. The number of SSA countries at [high risk of external debt distress](#) or already in debt distress currently stands at 22 (up from 20 in 2020).¹

Funding the cooperation for Sustainable Development suffers from financial sustainability issues that have worsened with the COVID-19 pandemic, and it is suffering even more with wars and military expenditures all over. The support to investments, so indispensable for sustainable development, which has been indicated by [BRICS in the Kazan Final Declaration](#) “as an effective way to mobilize private capital to finance infrastructure projects”, can be re-launched in line with the SDGs by each Presidency of G20, starting in 2025, following and amplifying the G20 actions started in 2021 and 2024, through the expanded suspension of payments by indebted countries well beyond DSSI.

With just five years left to achieve the Sustainable Development Goals, G20 countries can encourage the advancements of the 2030 Agenda by promoting and supporting a credible and concrete implementation of the UN sustainability goals in compliance with the Paris Climate Agreement not only in their own countries but in developing economies as well.

The [G20 Leaders in 2024](#) emphasized the importance of the Africa-led debates on Debt, Development and Infrastructure. The G20 should be able to involve not only other OECD countries and Gulf countries at large but, primarily, in special way the BRICS PLUS, which, during the XVI BRICS Summit in 2024, affirmed the need “to address the international debt properly and in a holistic manner to support economic recovery and sustainable development”.

The most vulnerable countries, which are subject to the aggravation of the existing structural limitations of poverty and underdevelopment, have also faced further economic stress caused by the pandemic and are today under an ever-increasing negative impact from climate change.

Under these circumstances, a combination of partial debt relief and conversion releasing resources to boost investments will be needed to avoid widespread defaults, facilitate sustainable economic growth and achieve the SDGs.

Nevertheless, as the UN-DESA argued, “[...] any debt relief should be part of a broader strategy that takes SDG investment needs into consideration. The assessment of relief required should consider medium-term financing gaps for the SDGs (rather than short-term liquidity constraints only) and inform comprehensive financing strategies to close them, e.g. in the context of integrated financing frameworks.”ⁱⁱ

G20 must continue with its leadership role in debt relief. G20 countries and international finance institutions carried a debt service suspension initiative (the DSSI) and supported the suspension of debt for low-income developing countries (40 from sub-Saharan Africa) eligible to the World Bank’s International Development Association (IDA). The Common Framework for Debt Treatments beyond the DSSI introduced by G20-2020 encountered several problems during implementation surfacing the need of profound reforms in the financial systems and of larger and deeper support to distressed countries particularly in Africa.ⁱⁱⁱ

We must now move along the same path as in 2020 but evolve from the suspension of payments into a strategy that matches the ambitions of the African Union vision. In 2024, the G20 Leaders recognized “that the market fluctuations, tight financial conditions, and debt vulnerabilities, among others, could be adding near-term pressure on strained public budgets amid increasing financing costs. We believe that country-specific solutions to development financing challenges could be based on combined policy measures that support growth, domestic resource mobilization, capacity building, private capital flows, and targeted concessional financing”.

RELEASE, which is also named RELEASE G20 in relation to the G20 as the largest concentration of creditors, both governments and private, is an initiative for a flexible conversion, total or partial, of the sovereign guaranteed public and private debt into SDG driven investment funds (one in each debtor country) in which original creditor have a say, in line with draft concrete guidelines to be negotiated case by case which will take into consideration all the different interests involved.

Indeed, within the flexibility spirit of RELEASE G20, in some particularly fragile cases of highly indebted countries considered not to have sustainable debt levels, partial cancellation with extensive debt conversion should remain an option.

Background

At the turn of this century, the debt forgiveness of about one hundred billion dollars showed that debt cancellation alone is not enough to pave the way to economic stability and sustainable investment. It is necessary to operate within countries by focusing on sustainable investments and externally by renegotiating for public financing in a sustainability change. Often, public debt, contracted to promote and encourage the economic and productive development of a country, can become, through the negative effects it generates (or the lack of positive effects), a factor that damages the social fabric. Debt forgiveness is also a matter of interest for security to avoid further destabilizing the North-South divide.

The composition of African debt has changed significantly. Previously, most of the African external debt was owed to official creditors – high-income countries and multilateral lenders like the World Bank and IMF. Now, China and private creditors make up a large proportion of debt stocks, meaning more debt is non-concessional.

At the end of 2023, 49% of Africa’s external debt is owed to private creditors, 23% to bilateral creditors,

and 34% to multilateral creditors. The share of commercial debt in total debt had already increased from 17% in 2000 to 43% in 2021. It is expected to rise to 54% by the end of 2024. According to the [African Development Bank's \(AfDB\) African Economic Outlook Report](#), in 2024 alone, African nations are projected to spend \$74 billion on debt servicing, with \$40 billion owed to private creditors.

China has become Africa's biggest bilateral lender. Its public lenders hold almost \$63 billion of Africa's external debt in 2022, and its private lenders hold over \$24 billion of Africa's external debt.

Africa's debt has reached its highest level in over a decade. As a result of COVID-19, the Russian invasion of Ukraine, and soaring inflation, African countries have had to take on even more debt, and now, in 2024, about twenty low-income African countries are either bankrupt or at high risk of debt distress.^{iv}

The problem is also that Africa's external debt as a percentage of GDP rose quickly between 2014 and 2020, stabilizing in 2023 to 22.5% of African countries' GDP (as of 2024 for countries with available data). This is an average, yet many individual countries have rates far higher.^v

These data are in **public and publicly guaranteed long-term external debt outstanding and disbursed** as a percentage of a country's GDPs.

The Africa Development Bank Group estimates that Africa's total external debt, which stood at \$1.12 trillion in 2022, had risen to \$1.152 trillion by end-2023. With global interest rates at their highest level for 40 years and as multiple bond debt securities issued by African countries reach maturity, there is no shortage of challenges. Africa will pay out \$102 billion (IDS data) just to service debts in 2024, up sharply from \$61 billion in 2010. China has become Africa's biggest bilateral lender. Its public lenders hold almost \$62 billion of Africa's external debt in 2023, and its private lenders nearly \$23 billion of Africa's external debt.^{vi}

The growing burden of debt repayments has the potential to threaten the achievement of the Sustainable Development Goals on the continent, particularly in health, education and infrastructure, where the continental average public spending is lower than in other comparable macro-regions. For instance, between 2010 and 2019, the average public expenditure on education in Africa was 3.6 per cent of GDP, below the global average of 4.2 per cent.

The increase in borrowing from non-Club de Paris creditors and commercial lenders has resulted in shorter maturity periods and higher refinancing risks. The significant rise since 2014 in the issuance of 10- and 15-year Eurobonds by many African countries, as well as non-Club de Paris loans with shorter maturities than traditional long-term very concessional multilateral loans, has led to a concentration of sovereign debt maturities between 2024 and 2028. Consequently, it has forced debtor countries to refinance these loans under tight international financial conditions just as they were recovering from the legacy of the COVID period and are dealing with the new inflationary shock resulting from the war in Ukraine. This concentration of maturities increases the risk of debt distress for some countries in the continent; others, such as Zambia and Ghana, have already announced payment defaults.^{vii}

A complex creditor base

Median public debt has fallen to 65 per cent of GDP compared with 68 per cent in 2021 owing to the positive effects of debt relief measures, including the Debt Service Suspension Initiative. Still, African countries are carrying a higher level of debt than before the onset of the Covid-19 pandemic, when it stood at 61 per cent. Twenty-five African countries are already carrying excess debt or have a high risk of doing so.

"A multilateral approach demands that we understand the nature of the debt itself, what is changing

and how we can respond to it,” said President of the African Development Bank Group, Akinwumi Adesina, at the Doha Forum in December 2023, on the theme of: “Decoding the Debt Dilemma—Unveiling Multilateral Solutions”.

According to the Bank Group, the structure of African debt has changed considerably. Bilateral debt now represents 27 per cent versus 52 per cent in 2000, whereas commercial debt accounts for 43 per cent of total debt, up from 20 per cent in 2000.

Along with the increase in private creditors in Africa, the profile of bilateral creditors has also changed. The share of external debt held by bilateral lenders, mostly by traditional Paris Club members, declined from 52 per cent in 2000 to 10.3 per cent between 2000 and 2020, while China has strengthened its position as the largest lender to Africa. Global Development Policy Center data shows that China loaned about US\$160 billion to African countries between 2000 and 2020.

“The expansion and fragmentation of the creditor base has complicated debt settlement by the Bretton Woods institutions,” explained President Adesina with concern.

Slow settlements

One of the difficulties of debt resolution is the extreme length of time it takes. Of the four African countries – Chad, Ethiopia, Zambia and Ghana – that have applied for debt treatment under the G20 Common Framework, only Zambia has completed the process, enabling it to benefit from the facility in 2023.

“Reforming the global architecture of the financial system and debt to reduce costs, time frames, and the legal complications of restructuring African countries’ debts is a matter of urgency,” insisted Mr Adesina at the Bank’s 2023 Annual Meetings in Sharm El-Sheikh, Egypt. He urged African countries to avoid high costs, limit the possibility of a new debt crisis, and push for increased transparency and global coordination between creditors.

But all this is not going to be enough. It is necessary to *release* the energy of these capitals blocked in repayments by making them work again.

Risks

The other debt-related problem lies in the “Africa premium” that countries on the continent must pay when they access capital markets, despite data showing that default rates in Africa are lower than in other parts of the world. Moody’s analysis of the default rates for global infrastructure shows, for example, that Africa ranks higher, at 5.5 per cent, than Asia, at 8.5 per cent and Latin America, at 13 per cent.

Yet the perception of risk in Africa, pumped by the global rating institutions in their almost arbitrary rating exercises, results in an often-unjustified increase in borrowing costs for African countries. The problem of transparency in rating countries’ capacity to pay back must also be tackled.

During the [2nd Summit on Infrastructure Funding in Africa in 2023](#) several African leader pointed out that very often infrastructures debts for long- term have a very short tenure. The same observation also applies to education loans. School-building loans must be repaid before students have even joined the workforce.

“Long-term development cannot be based on short-term loans,” said American economist, academic and public policy analyst Jeffrey Sachs.” The loans granted to Africa should have at least a 25-year term or

longer. Short-term borrowing is dangerous for long-term development”. The three 2024 Noble Prize laureates in economics also point out that inequalities are not conducive to sustainable growth and inequalities prosper in debt...

A place at the table for Africa

Since the debt crisis of the 1980s, the international community has alternated between various options for debt treatment. In different cases, restructuring, suspension, relief, and cancellation have allowed African countries to reduce excess debt and tackle liquidity or solvency crises.

The African Development Bank member states meeting in Nairobi recently were asked to identify various options for reforming the global financial system, given that debt treatment is impossible without fundamental reforms. The global economic architecture, as currently constituted, does not meet Africa’s expectations, as its countries, without exception, are developing and, therefore, facing multiple globalized challenges.

“Reforming the current international financial architecture so that it is fit for orderly debt restructuring is a matter of urgency. Debt settlement in Africa, especially outside the Paris Club processes, has often experienced problems and delays with costly economic consequences”. At the United Nations 78th General Assembly, African leaders insisted on the necessity of structural reform so that it worked correctly. “To create a fairer and more equitable world, we must [first] change the structure, operation and performance of the global financial architecture.”

The need for a reform of the financial architecture was also stressed by [BRICS in the 2024 Kazan Final Declaration](#).

What is already happening

Let’s examine several existing instruments run mainly by the WB and IMF to build confidence reduce risk and increase performance by countries:

The World Bank deploys various tools and strategies to support developing countries in managing and reducing their public debt. *Debt transparency* is one of the cornerstones of this approach. Policymakers in borrowing countries need reliable debt information to make informed borrowing decisions. Creditors, donors, analysts, and rating agencies need it to assess sovereign creditworthiness and to price debt instruments appropriately. Citizens need it to hold their governments accountable, and debt transparency directly [contributes to higher credit ratings, lower borrowing costs, and greater foreign direct investment \(FDI\) inflows](#). The World Bank’s institutions take a comprehensive approach to enhancing debt transparency - through their own engagement with more than 100 low- and middle-income countries and in close collaboration with the International Monetary Fund (IMF).

The Bank’s annual [Debt Reporting Heat Map](#) presents an assessment based on the availability, completeness, and timeliness of external public debt statistics and debt management documents posted on national authorities' websites. The assessment of external public debt is complemented by the [annual Domestic Debt Securities Heat Map](#).

The World Bank introduced the [Sustainable Development Finance Policy \(SDFP\)](#) during the COVID-19 crisis in anticipation of heightened debt challenges for developing countries. The SDFP **incentives countries to move towards transparent, sustainable financing and investment practices** and promotes

coordination between the International Development Agency (IDA) and other creditors in support of recipient countries' efforts. It leverages the World Bank's convening power to promote stronger collective action, greater debt transparency, and closer coordination among borrowers and creditors to mitigate debt-related risks. The SDFP strengthens IDA's current debt-related policy framework through a more proactive and systematic engagement on debt sustainability at the country level.

Under the SDFP's [Debt Sustainability Enhancement Program](#), each year, countries with elevated debt risks identify performance and policy actions (PPAs) that are key to enhancing debt transparency, fiscal sustainability, and debt management. IDA and other donors provide more concessional financing to countries with higher debt vulnerabilities. Countries assessed at high risk of or in debt distress, which borrow only from IDA, are provided with financing entirely in the form of grants.

The Debt Sustainability Framework for Low-Income Countries (LIC DSF) incentivizes countries to move towards transparent and sustainable financing to meet their development objectives and promote coordination between IDA and other creditors. Every year, it classifies countries based on their assessed debt-carrying capacity; estimates threshold levels for selected debt burden indicators; evaluates baseline projections and stress test scenarios relative to these thresholds, and combines indicative rules and judgements to [assign ratings for risk of debt distress](#).

The [Debt Management Facility \(DMF\)](#), jointly administered with the IMF, is a multi-donor trust fund offering advisory services, training and peer-to-peer learning to more than 80 developing countries worldwide to **strengthen their debt management capacity, processes, and institutions**. The DMF strengthens debt management to reduce debt-related vulnerabilities and improve debt transparency. It supports **capacity building and reform implementation on debt management and has supported over 350 Technical Assistance (TA) activities in 74 countries**. Today, more countries prepare and publish debt management strategies; the quality of government debt records has improved, and many countries have improved the organization of their debt management institutions and coordination with fiscal policies.

The World Bank's Global Debt Unit has supported the **Public Finance Management Executive Training** Series provided by the African Development Bank's [Public Finance Management Academy \(PFMA\)](#). The main objective of the training is to strengthen the leadership skills and technical capacities of public officials involved in PFM in African countries to identify and utilize adequate debt management systems and tools in managing their public debts effectively and transparently.^{viii}

The G20 initiative (DSSI) for 76 low-income developing countries in 2020 has responded to an immediate need for liquidity from debtor governments and only temporarily shifted the problem. In fact, the problem was made worse as debtor countries faced a big debt crisis already in 2021, and their risk had already been rising. The gross public debt of almost all middle and low-income countries is mostly international and peaked at 55.7% of their GDP in 2020. The Institute of International Finance estimated that in March 2020 alone, \$83 billion of capital left emerging markets due to increasing risk aversion from investors and that debt service payments owed by DSSI-eligible countries amount to approximately US\$11 billion for official bilateral lenders, US\$7 billion for multilateral lenders and US\$13 billion for private creditors just in 8 months of 2020. Some countries are already in default, and more will join soon.

As a moratorium will not suffice for many highly indebted countries, debt relief from all creditors and a more comprehensive action by the international community should include revisiting debt sustainability to be reassessed consistently and coherently, particularly fronting increasing negative impacts from climate change, to create space for SDG investments.

Without investments, there is no economic development, there is no tax revenue, and there cannot be debt repayment.

The overall results even though have avoided to make the situation worse are not good enough to solve the issues. Again **RELEASE G20**, a mix of conversion and reduction of debt, can be a solution.

As said, African public debts are held mainly by non-African lenders and in foreign currencies. Most debt is owed to private sector creditors, who charge African countries higher interest rates.

Many African governments, for their part, were keen on private credit, motivated by the desire to reduce dependence on policy-political conditions on loans from official creditors.

However, the amount African countries must pay to borrow from the private sector is largely determined by Western rating agencies. The 'big 3' rating agencies - Fitch, Moody's and Standard & Poor's (S&P) - are all headquartered in London or New York and only have two offices in Africa between them, both in Johannesburg. They have faced accusations of overstating the risk of lending to African countries. The African Union (AU) is moving forward through the African Peer Review Mechanism (APRM) with a plan to establish an African Credit Rating Agency as an independent entity to provide alternative and complementary rating opinions for the continent.^{ix} This is good news, but again, it will not be enough.

The RELEASE G20 initiative

The term **release** gives well the idea of the freedom given to resources to produce something. **RELEASE G20 initiative calls for the partial or total debt reduction with the creation by the debtor country of a counterpart fund in local currency for Sustainable Development – it could be called SDG FUND - nominally equal to the value of the net reduction of capital owned by the creditor (future interest would be automatically declared as a rebate). In other words, the creditor (partially or totally) renounces cashing the payment and, instead of cancelling its credit, as done sometimes in the past, decides to transfer it (as an investment contract) to a fund in which it will agree with the debtor its role in the capital. In agreement between the parties (creditor and debtor), the fund will move according to precise guidelines in sectors agreed, also considering the industrial interests of the parties, the national development plan, the SDGs targets of those countries using as much as possible resources and actors from creditor countries.**

The same approach is conducted very similarly, if not the same, between the debtor and each creditor party to build the capital base and the rules of the SDG investment Fund.

RELEASE G20 could be the winning proposal for the international community to find a long-term agreement for the permanent reduction of the burden of debt, releasing finance for development. RELEASE G20 is a process of systematic and sustainable sovereign debt restructuring in the most fragile, highly indebted countries, tied to SDGs investments, with quantitative indicators of impact based on the targets of the SDGs.

An indebted country reduces its public expenses to service the debt in exchange for a firm institutional and political engagement to invest the equivalent amount in local currency in an agreed time into its **own economy in partnership (to be defined) with the creditor countries actors.**

The advantages of converting debts into investment funds are self-explanatory: it increases the ownership of the respective country; it urges to take full responsibility for the management of the funds, thus helping to build up the administrative capacity of the country; it is easier to convince creditors to strengthen relations but at the same time provide a push to the rating of the county injecting vital finance for investments.

The initiative can be of significant impact both on the international political scene, as a crucial step to

fulfil commitments in the Financing for Development outcomes, as well as on programming and operations in the field of international cooperation, for debt restructurings to be fair, orderly, timely and efficient, and give room for countries to invest in the SDGs, as per the Addis Ababa Action Agenda's call.

G20 countries, in general, could have a political and operational advantage in proposing a combined action of conditional debt reduction of developing countries in favour of blending sustainable and strategic private investments from their private sector. Sustainable and balanced growth is a prerequisite to achieving sustainability and lowering foreign financing dependency.

The SDG Fund generated from the initiative RELEASE G20 in country X can generate counterpart funds locally owned and managed to complement Foreign Direct Investments such as those foreseen within the framework of Piano Mattei of Italy or, on a greater scale, under the Global Gateway of the European Union or indeed other bilateral or multilateral investment schemes.

The impact of the proposal is certain. Suffice it to say that 64 countries in the world (34 in sub-Saharan Africa) spend more on paying back public debt than on health.

Conversion of debt might and should be paralleled by "*traditional*" development assistance through blending to create decent jobs and achieve a higher level of sustainability. Countries moving into RELEASE G20 will have a chance to leverage more funds from sources other than ODA, which remains essential, especially for LDCs, and should not be crowded out. The conditions attached to funding should be simple, transparent, and easy to track by all involved institutions. One ideal partner in the EU will be the External Investment Plan and the European Fund for Sustainable Development within the framework of Global Gateway, which is aimed at reducing risks for investors and co-investing with the SDG funds generated by RELEASE G20.

For this initiative to be acceptable and sustainable, we need to look at and convince the public and policymakers of creditor countries and the operation of financial institutions and private banks to participate (also coming in large part from the same countries). We also need to look at the **debtor countries** to accept that the outflow, even if not going back to the creditor countries, will be mobilized (from the general budget) into a **domestic fund for sustainable development with the aim of promoting and facilitating investments for sustainable development and the achievement of the SDGs involving inter alia actors from the original creditor country**. RELEASE G20 must show how it can generate aspects of a win-win for all participants.

Debt conversion may be gradual to increase, in time, the leverage the impact in phase with the country's policy shaping. Further and deeper conversion may be envisaged according to how the funds have been used by the respective country. The gradual approach allows the modification of the development strategy and gives creditors some leverage. Moreover, in adverse cases of bad governance of funds, debt conversion could even be suspended.

Expanding the availability of the IMF's Special Drawing Rights (SDRs) is another element of the RELEASE G20 action. One of the functions of the SDRs is to allow the most fragile states to access foreign currency liquidity without having to sell their reserves (which almost always entails a devaluation of the currency, resulting in imported inflation). IMF is called upon to actively promote this expansion on its member base, which is broader than G20. This expansion must look at Africa.

Furthermore, as part of the RELEASE G20 proposal, the creditor countries could increase funding to the Poverty Reduction and **Sustainable**¹ Growth Trust of the IMF that, connected to the funds SDG to create via the resource RELEASE G20 country to country, it will contribute to feed the investment gap and the

¹ It could be also proposed here to change its name adding "sustainable".

risk-taking gap on investments for sustainable growth.

Part of RELEASE G20 will be the strong involvement of Private actors summoned by G20 leaders via the various platforms B20 to start with, at the UN or other levels that are available to promote the dialogue on privately owned debt.

It is necessary for the debtor countries to avoid private creditors taking advantage of the moratorium, and then the cancellation to prevent the resources freed up by the suspension of payments for the debt to public entities from being used for the reimbursement to private. For this reason, it is necessary that the G20 business leaders' forum will do the necessary advocacy with debtors to effectively stimulate the private sector, identifying significant champions within the World Business Council for Sustainable Development, the World Economic Forum and others.

RELEASE G20 will also call for the involvement of the IFIs of the Paris Club (the informal organization of creditor financial institutions) and large groups of private investors with the support of the B20 (finance sector) for the private sector and of IMF and the WB.

In the advocacy campaign for RELEASE G20, it is desirable through a combination of spiritual, intellectual, researchers and scientific leaders, Nobel laureates for peace and economics, personalities of global importance in culture, economy and finance, religious leaders (the Holy Father Francis has expressed himself very clearly on this). Essential as well, it will be the voice of the Global Civil Society Organizations; as highlighted by the G20 Rio de Janeiro Leaders' Declaration to convene a G20 Social Summit; recognizing "the constructive role civil society can, and should, play in addressing economic, financial, political, environmental and social issues"

The synergies with the 2025 Jubilee are fundamental as the Holy See is advocating strongly for a reduction of the debt burden and the mobilization of solidarity among nations.

Concrete actions of mobilization and advocacy are currently under study.

Draft operational proposal: a practical approach scenario

It is necessary to organize advocacy actions with events to involve institutional leaders in view of the G20 Development Ministerial and G20 Summit. The final version of RELEASE G20 must be reinforced by a financial analysis of the measures at stake, with impact simulations assisted by AI machines and with the help of data and expertise from the financial track of G20 Sherpa to support Development cooperation operational proposals and supported by advocacy from leaders, CSOs, and champions. Regional and International Financial Institutions should be fully involved and part of RELEASE G20.

A debt matrix of African countries by individual G20 creditor members and by their private banks according to financial and macroeconomic data also using UN poverty indices starting from LDCs, landlocked, SIDS etc. The debt/SDG investment matrix will then be compared with the economic indicators and some targets for reference SDGs. Incentives may be linked to the National Determined Contributions of agreements on emissions or biodiversity protection or other international agreements aligned with SDG targets.

Monitoring mechanisms for how countries use the conversion of debt should be put in place. Arms trading and purchase, as well as violation of human rights, should be considered an impediment to alleviating the debt burden from the country. Engagement to achieve more climate resilience and climate neutrality linking to carbon credits and biodiversity credits as an incentive for increasing the tenor of RELEASE G20.

Some different scenarios for the preliminary political decision for the G7 can be prepared.

RELEASE G20 guidelines would be given to G20 working groups for further discussion. Once approved, the guidelines will be the basis for bilateral negotiations in G20 groups. Negotiations at the request of the parties may, where appropriate, be assisted by the IMF WB UN or other multilaterals as well as by the outgoing and incoming G20 Presidencies.

A concrete approach: how it could work

It will all start with bilateral negotiations which can result in a few important actions:

1. Discussion and agreement between debtor and creditor on the partial or total debt reduction with the creation by the debtor country of the counterpart SDG FUND in local currency.
2. At the country level, all resources recovered from the G20 countries, the IMF, the WB and other IFIs will be channeled into the counterpart SDG FUND managed by the host government. The aims of the fund should be to make investments and co-investments in local currency aligned with the SDGs. These investments shall be in line with the country's development plan, the African Union's agenda 2063, etc.) and present indicative quantitative impacts in terms of SDG targets. These investments (already identified, planned with feasibility studies in many cases) can be co-financed by the fund, or the Fund can serve as a guarantee fund for leverage on other funds and investors mainly but not only for private investments with the overall goal of creating employment.

The SDG Fund managed at the government level, country by country, under the supervision of the Minister of Finance of the country of operation, which will be assisted by a specific advisory board (or even better, using as advisory board existing platforms of consultations for National Development Plan and similar structures) comprising both Intergovernmental delegations and national CSOs representatives, will be equipped with a defined monitoring and control mechanism to ensure transparency and accountability.

The governance is variable and can be negotiated based on current practices and in agreement with the creditor countries somehow involved in a minority stake in the Fund. It will be essential to keep a balance between accountability and efficiency, but ownership will be fundamental. G20 structures helped by UN structures could provide guidelines on governance to be adapted case by case as it will also depend on the number of participant creditor countries.

The aspect of monitoring and the guiding clear criteria for the use of the funds will be crucial as there is a need to ensure discipline and the good use of the conversion of the debt as often high indebtedness concerns countries which need to restore credibility and trust. Creditors could be attracted by the idea of converting what is no longer recoverable into funds that could be a step towards the sustainability of a given country, with a degree of monitoring attached to it and with a degree of participation in their private sector.

For the African Union, it could also be foreseen, with contributions from different countries, an African Union continental SDG fund that will work to leverage and hedge risks for cross-border and continental investments. In fact, the continental dimension is as essential in Africa as it is in Europe, and the Agenda 2063 is an important reference.

3. A report on the results of the RELEASE G20 initiative and SDG Funds from the various participating countries will be presented at each G20.

4. RELEASE G20 will also be piloted at other international platforms and initiatives dealing with sustainable development.

5. To implement operations with parallel memoranda of understanding, creditor countries will be invited to establish a new generation of cooperation protocols for sustainable, productive investments, which will depart from colonialist and paternalistic approaches of the past and which will necessarily include local private companies.

At present, concrete interactions are ongoing to start with pilot countries, and detailed draft guidelines are being developed.

ⁱ WB Report 2023

ⁱⁱ UN-DESA Policy Brief #72,2020

ⁱⁱⁱ 2021 G20 Proceedings

^{iv} African Development Bank's (AfDB) African Economic Outlook Report, 2024

^v WB International Debt statistics database

^{vi} IDS International Debt Statistics database, <https://data.one.org/topics/african-debt/>

^{vii} Policy Centre For The New South

^{viii} WB 2024

^{ix} Joseph Atta-Mensah UN UNECA, Muazu Ibrahim, Ghana University