

Managing public debt amidst COVID-19 financing pressures in Africa

Debt management prior COVID-19 in Africa
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Public debt accumulation has accelerated in Sub-Saharan Africa since 2012.

FIGURE 2.1: General Government Gross Debt in Sub-Saharan Africa, 2000–19 (% of GDP)

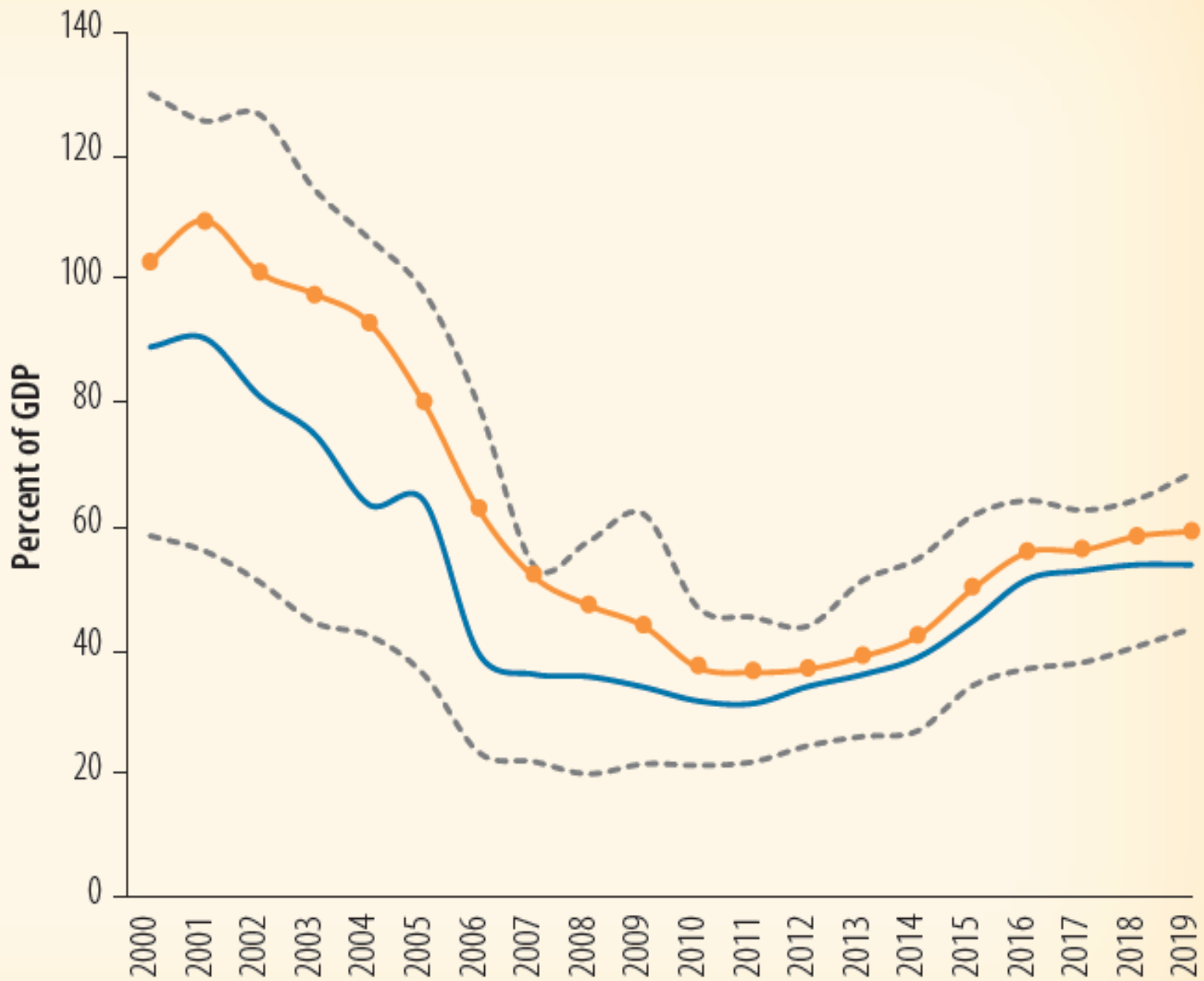
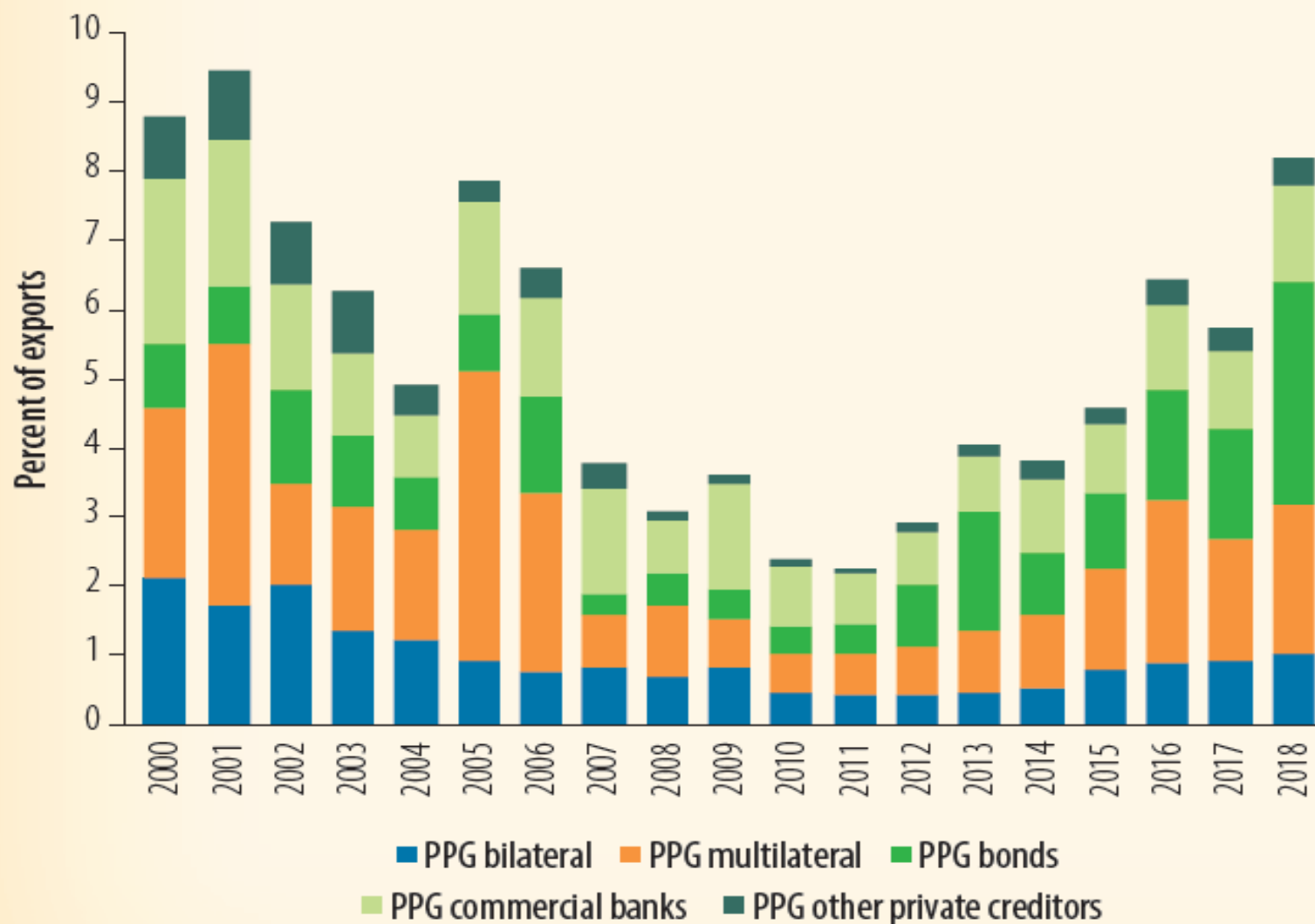


FIGURE 2.3: Public and Publicly-Guaranteed External Debt Service in Sub-Saharan Africa, 2000–18 (% of exports)

Debt service has increased sharply in Sub-Saharan Africa, especially service to private creditors.



Source: World Bank, World Development Indicators.

Notes: Regional figures are GDP-weighted averages. GDP = gross domestic product; PPG = public and publicly guaranteed.



DEBT situation prior to COVID-19 in Africa

- Public debt in sub-Saharan Africa (SSA) – both external and domestic, rising since 2012 – on average 49% of GDP.
- 21 SSA countries gained market access and issued international sovereign bonds.
- Heightened debt vulnerabilities due to lower concessional borrowing and raising obligation with non-Paris Club governments and private creditors
- Sub-Saharan economies severely affected by global conditions (commodity price shocks, currency fluctuations)
- Deteriorating risk of debt distress with 19 SSA countries classified as in debt distress or at high risks compared to 7 countries in 2013



Debt situation prior COVID-19

Reasons for rapid debt accumulation -

- Beneficiaries of HIPC and MDRI saw opportunity to increase debt.
- Increasing investment requirements - \$100 billion p.a.
- Governments have more borrowing options (global rates at lowest and search for yield)
- Improved macro-economic fundamentals in some countries made them attractive to investors.



Capacity constrains prior COVID-19

- Insufficient debt **transparency and accountability** mechanisms (hidden debt and poor reporting on contingent liabilities)
- Limited space and capacity to negotiate **favourable terms and conditions** with lenders
- Weak and poorly enforced **laws, policies, procedures and practices in place** - countries should develop a strong practice of **following the rules**
- **New challenges** for effective debt managements due to **volatile global economic environment, shocks** and more **complex financing instruments**.



Co-ordination amongst Public Debt Manager in Africa

- Collaborating and sharing of experiences among public debt managers is critical
- Lenders need to comply with existing guidelines and principles relating to sustainable lending practices
- Borrowers need to adopt more responsible borrowing practices e.g. selecting the right projects, greater parliamentary scrutiny, etc.



In conclusion – road to recovery

- Presentations to follow - in more detail discuss the impact of COVID-19 on debt sustainable in Africa –
- Could the massive fiscal costs lead to several governments to default – approximately 17 governments have bond spread that exceed 1000 basis points – a threshold that typically preceded defaults
- Topic of debt standstill or debt relief doesn't only apply to governments by to private sector as well.

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