



AFRICA CENTER
FOR STRATEGIC STUDIES

MSRA: Concurrent Session

External and Domestic Debt Trends in Africa

Luka Kuol, PhD

Addis Ababa, 16th January 2019

Managing Security Resources in Africa (MSRA) Symposium

External and Domestic Debt Trends in Africa

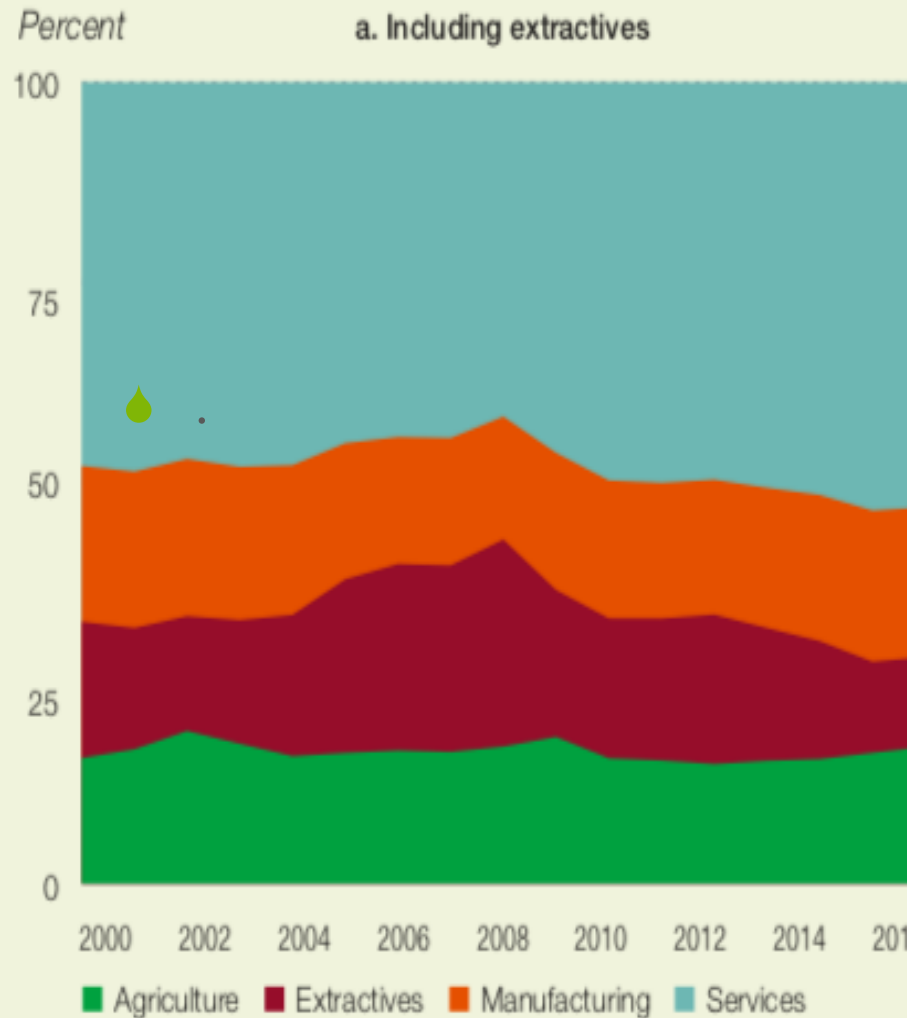
Luka Kuol, PhD

Africa Center for Strategic Studies

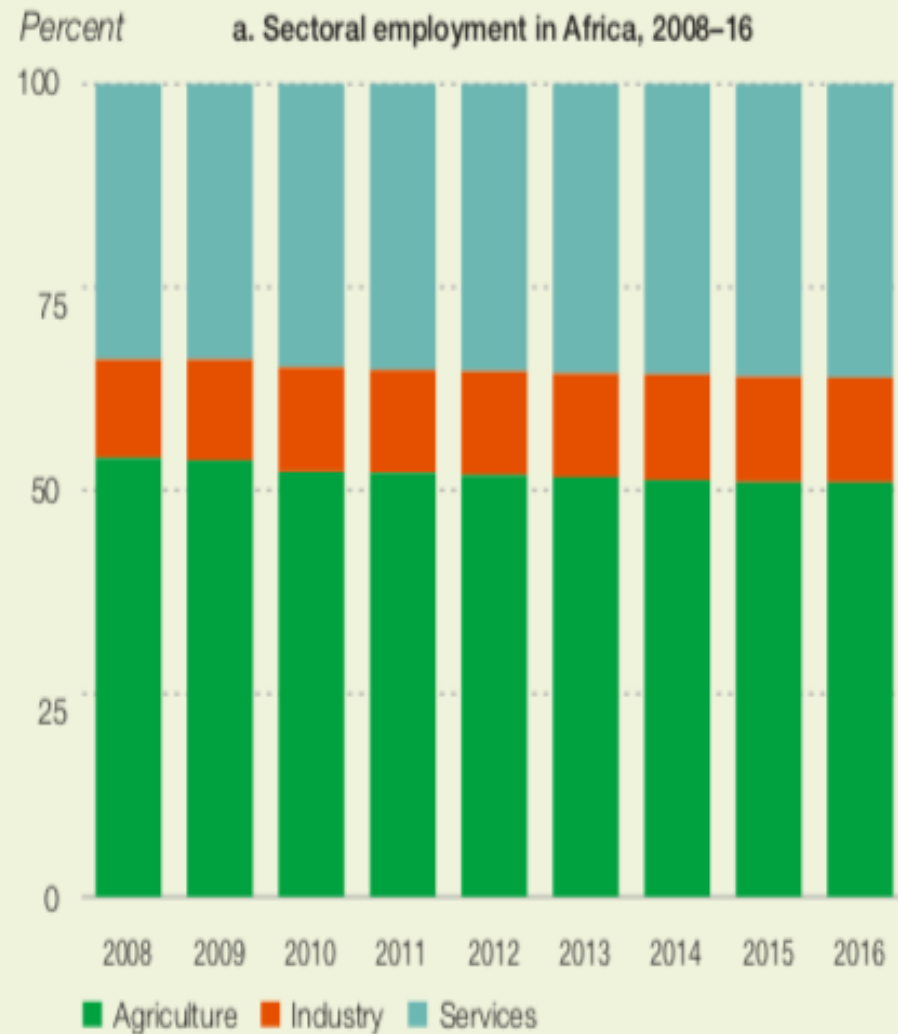
Addis Ababa, 15th Jan 2019



The Structure of African Economies



Source: AfDB statistics.



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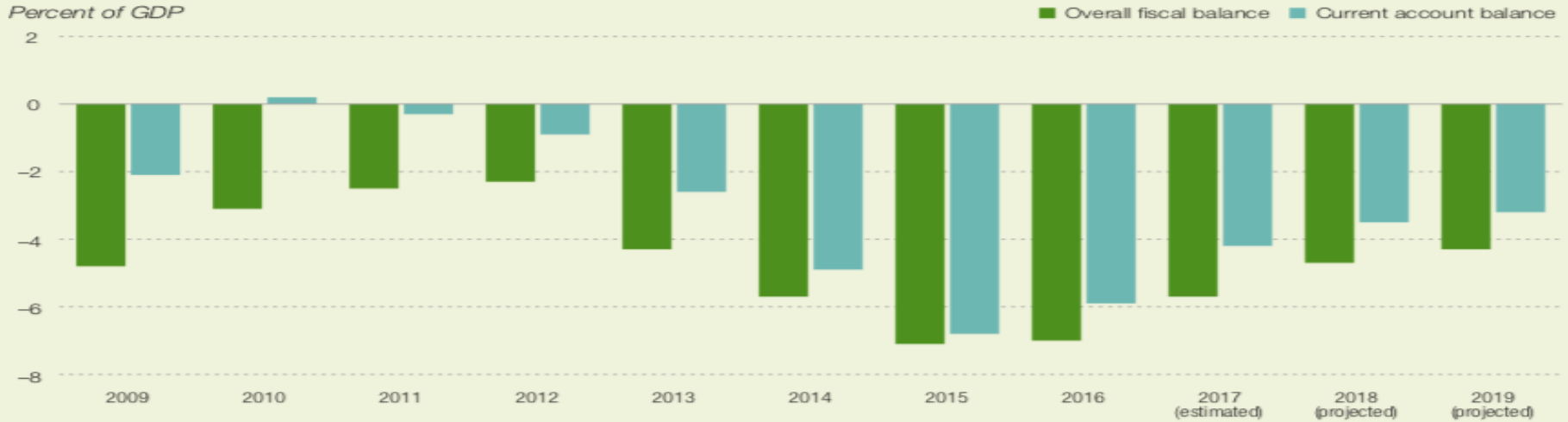
Africa Financing Requirements Related to SDGs



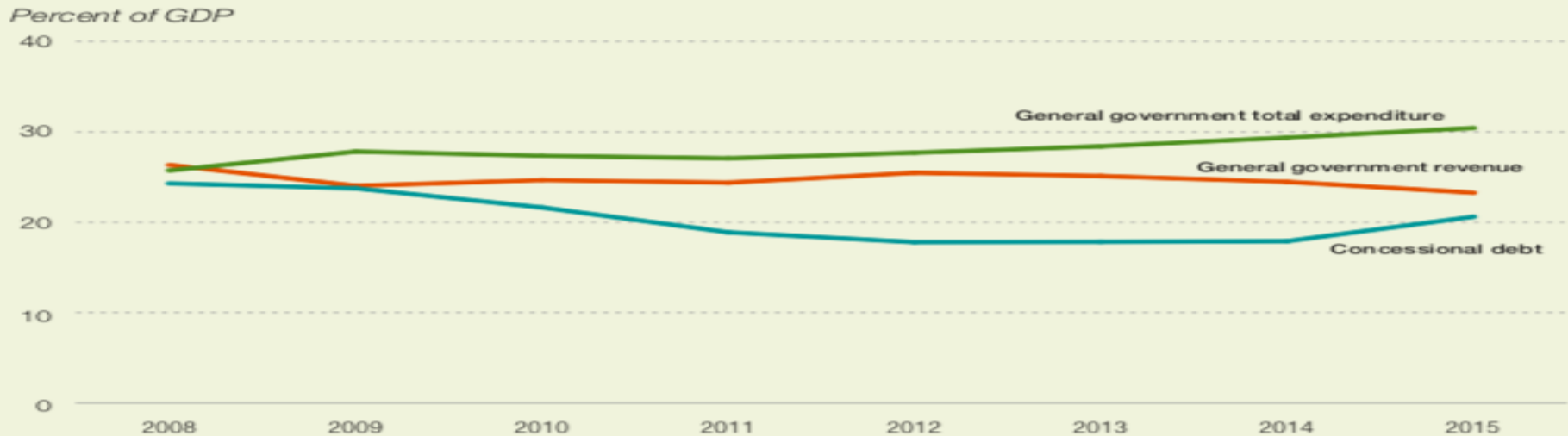
Source	Estimated amount per year	Scope of estimate
International Energy Agency (2012)	\$25 billion	Amount needed to achieve universal access to modern energy services by 2030
World Bank (2012)	\$18 billion	Cost of climate change adaptation
UNCTAD (2014)	\$210 billion	Amount needed for basic infrastructure, food security, health, education and climate change mitigation
Chinzana et al. (2015)	\$1.2 trillion	Additional investment required to meet Goal 1
Schmidt-Traub (2015)	\$614 billion–\$638 billion	Incremental financing needs related to the Sustainable Development Goals
World Bank (2015a)	\$93 billion	Amount needed for infrastructure

Source: UNCTAD, 2016, "Debt Dynamics and Development Financing in Africa"

The Overall Fiscal and Current Account Balance in Africa



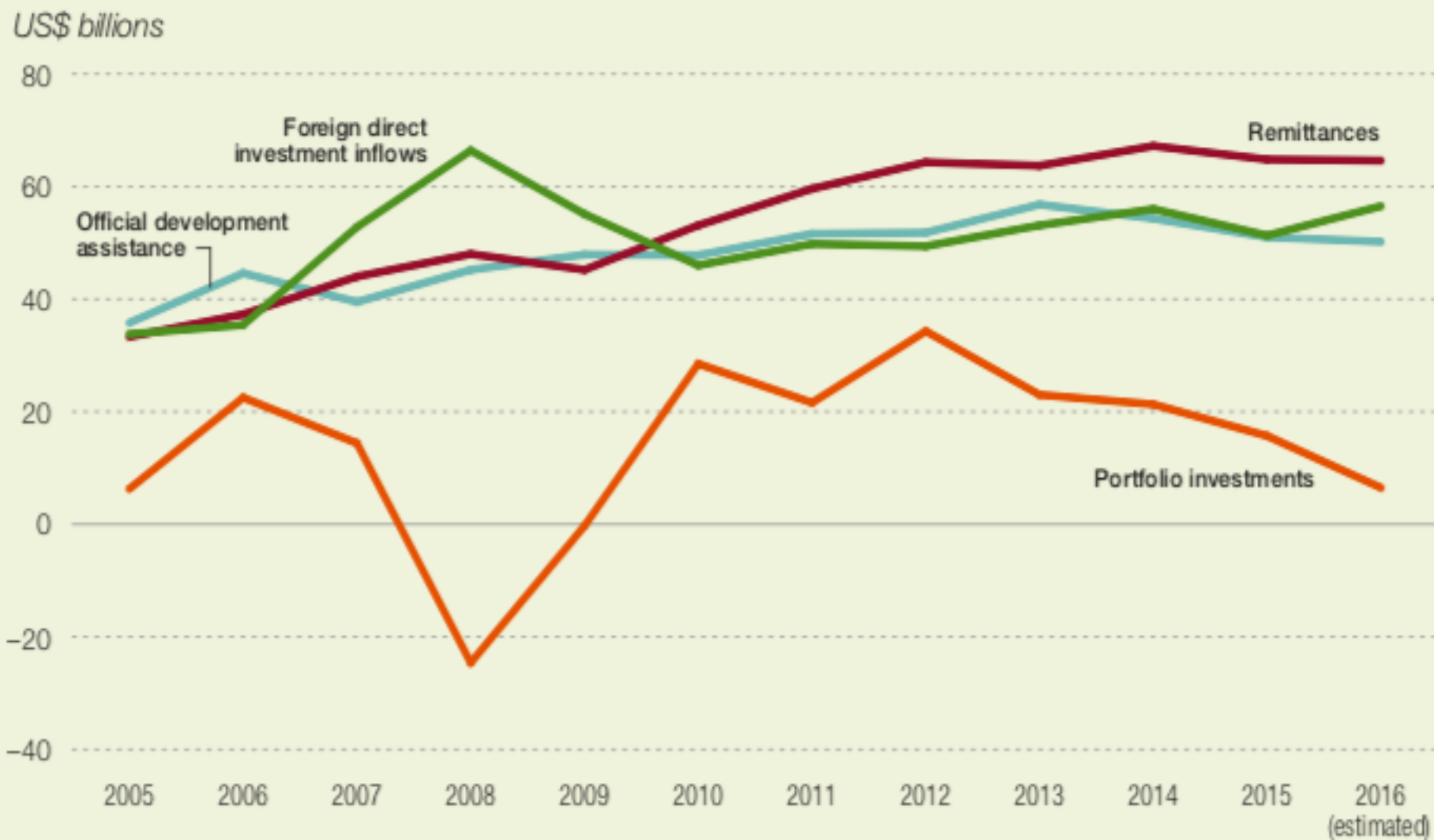
Source: AfDB statistics.



Source: AfDB statistics.

Source: Africa Development Bank, 2018. "African Development Outlook 2018".

Financing of Current Account Balance in Africa



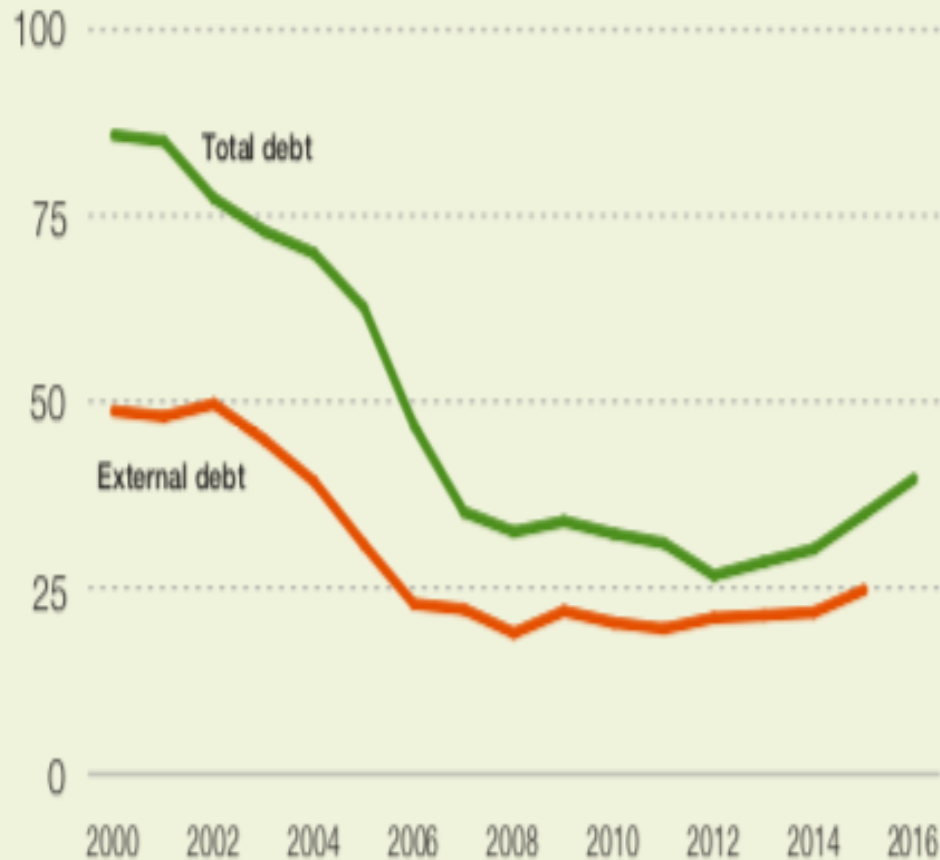
Source: AfDB computations.

Source: Africa Development Bank, 2018. "African Development Outlook 2018".

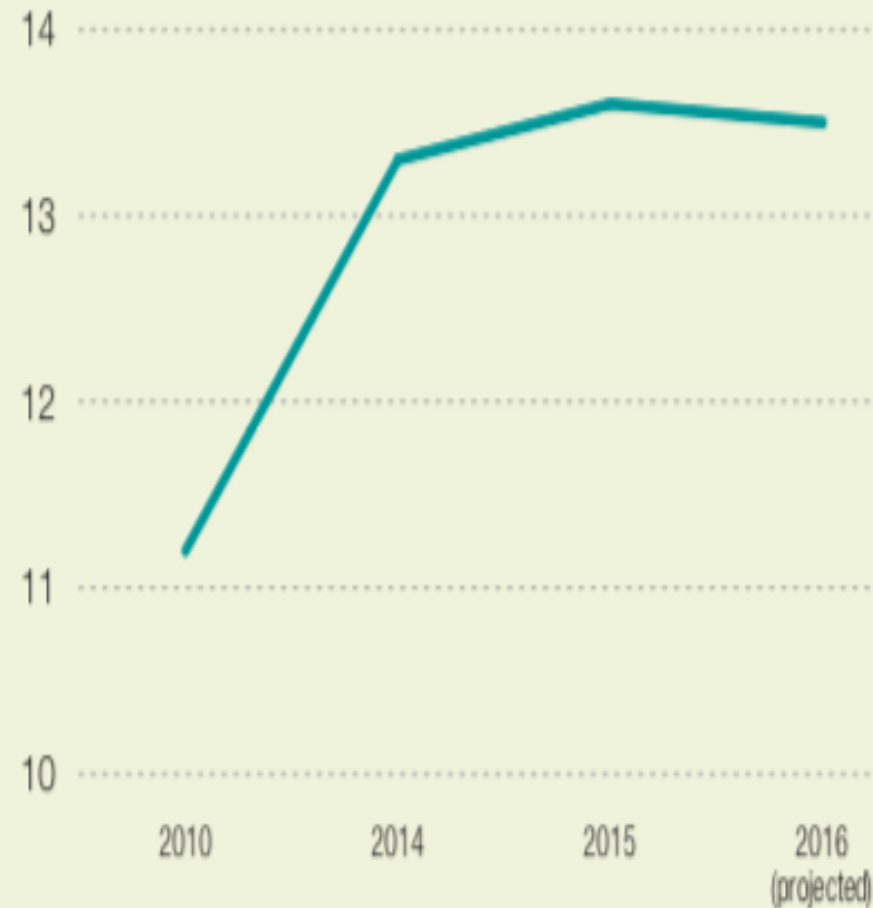
Domestic and External Debt Trend in Africa

Percent of GDP

a. Total and external debt



b. Domestic debt, Africa



Source: Africa Development Bank, 2018. "African Development Outlook 2018".

Debt Payment and Risk of Debt Distress in Africa

Low risk (10)	Moderate risk (20)	High risk (7)	In debt distress (2)
Benin Ethiopia Kenya Liberia Madagascar Nigeria Rwanda Senegal United Republic of Tanzania Uganda	Angola Burkina Faso Cabo Verde Cameroon Comoros Congo Côte d'Ivoire Democratic Rep. of the Congo Gambia Guinea Guinea-Bissau Lesotho Malawi Mali Mozambique Niger Sierra Leone South Sudan Togo Zambia	Burundi Central African Republic Chad Djibouti Ghana Mauritania Sao Tome and Principe	Sudan Zimbabwe

Source: IMF, 2015a, updated November 2015 with available IMF country reports and debt sustainability analyses.

Source: UNCTAD, 2016, “Debt Dynamics and Development Financing in Africa”

Kenya: Debt Payment and Risk of Debt Distress



Government Income and Expenditure Statement, July 2018		KSh Billion
Receipts		
Opening balance		102.8
Revenue		99.0
Domestic Borrowing		30.0
Expenditure		
Consolidated Fund Services,		
Debt service		68.2
Pensions & other		3.3
Exchequer Issues		
Recurrent		49.5
Development		0.0
Counties		0.0
Closing balance		110.7

Kenya Public Debt Service, KShBillion			
	FY 2013/14	FY 2018/19	Increase, %
Principal	123	470	282
Domestic	92	220	139
External	31	250	706
interest	141	400	184
Domestic	119	286	140
Foreign	14	114	714
Total	264	870	230

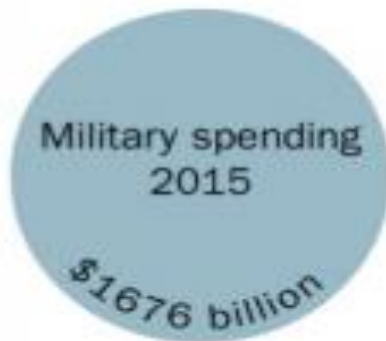
Kenya Public Debt 2013 - 2018 KShBillion				
	2013	2018	Increase, KShb	Increase, %
Foreign, of which	900	2,648	1,748	194
China	63	553	490	778
Bilateral (excl. China)	212	258	46	22
Multilateral	566	878	312	55
Commercial	59	959	900	1,525
Domestic	889	2,478	1,589	179
Total	1,789	5,126	3,337	187

Source: Ndi, 2018. "Mr Kenyatta, in Debt Stress"

Opportunity Cost: Military Expenditure and SDGs

What could the reallocation of global military spending achieve?

The annual cost of the UN's Sustainable Development Goals (SDGs) as a share of total global military expenditure in 2015.



No poverty and hunger

SDGs 1 & 2

13%

Agriculture & food security

SDG 2

4%

Health

SDG 3

5%

Education

SDG 4

12%

Water & sanitation

SDG 6

3%

Modern energy

SDG 7

11%

Telecommunications

SDGs 9 & 11

12%

Transport

SDGs 9 & 11

5%

Ecosystems & biodiversity

SDGs 14 & 15

2%

Emergency & humanitarian work

Necessary for many SDGs

1%

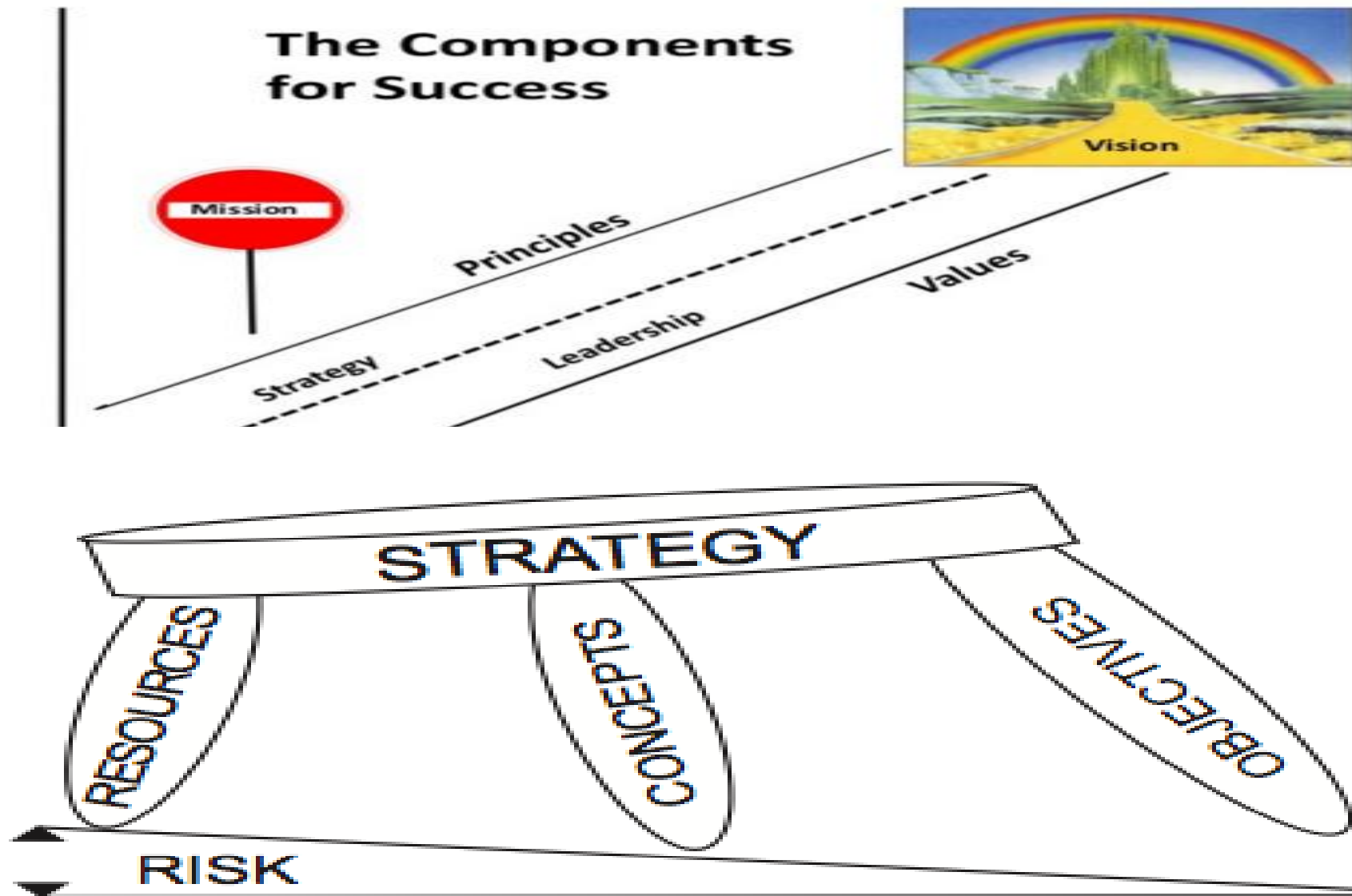
Sources: SIPRI, Sustainable Development Solutions Network and UN Food and Agriculture Organization

www.sipri.org

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National Security Strategy and Management of Public Debt



Best Practices and Tools for Managing External Debt

💧 Addressing Accumulation of Debt:

- The Joint World Bank-IMF Debt Sustainability Framework (*ex ante response*).
- Debt Relief and Workout Mechanisms (*ex post response*)

💧 Domestic Financing Mechanisms:

- Private-Public Partnerships
- Climate-related Funds
- Remittances and Diaspora Bonds
- Stemming Illicit Financial Flows
- Domestic Debt Markets

💧 Regional Integration:

Source: UNCTAD, 2016. “Debt Dynamics and Development Finance in Africa”



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