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

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

Source: UNCTAD, 2016, “Debt Dynamics and Development Financing in Africa"
The Overall Fiscal and Current Account Balance in Africa

Financing of Current Account Balance in Africa


Source: AfDB computations.
Domestic and External Debt Trend in Africa

## Debt Payment and Risk of Debt Distress in Africa

<table>
<thead>
<tr>
<th>Low risk (10)</th>
<th>Moderate risk (20)</th>
<th>High risk (7)</th>
<th>In debt distress (2)</th>
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</thead>
<tbody>
<tr>
<td>Benin</td>
<td>Angola</td>
<td>Burundi</td>
<td>Sudan</td>
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<td>Ethiopia</td>
<td>Burkina Faso</td>
<td>Central African Republic</td>
<td>Zimbabwe</td>
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<td>Kenya</td>
<td>Cabo Verde</td>
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<td>Liberia</td>
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<td>Rwanda</td>
<td>Côte d’Ivoire</td>
<td>Sao Tome and Principe</td>
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<td>Senegal</td>
<td>Democratic Rep. of the Congo</td>
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<td>United Republic of Tanzania</td>
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<td>Zambia</td>
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</tbody>
</table>

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

Source: Ndii, 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.

Military spending 2015
$1676 billion

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

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National Security Strategy and Management of Public Debt

The Components for Success

Vision

Mission

Principles

Values

Strategy

Leadership

Vision

STRATEGY

RESOURCES

CONCEPTS

OBJECTIVES

RISK

Source: www.slideshare.net/JohnPersico1/strategy-development-process and The Lykke Model (Yager, 2010)
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:**
