

# Debt Dynamics: Reality, Perception and Way Forward

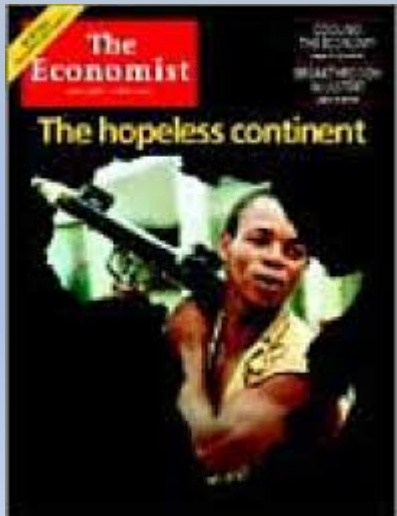
Dr. Donald Kaberuka

Remarks at the 2019 African Caucus Meeting

Accra, Ghana

1 August, 2019

2002



2011



2013



2016



March 2019

The new scramble for Africa

*This time, the winners could be Africans themselves*



Mega trends and investor long term perception

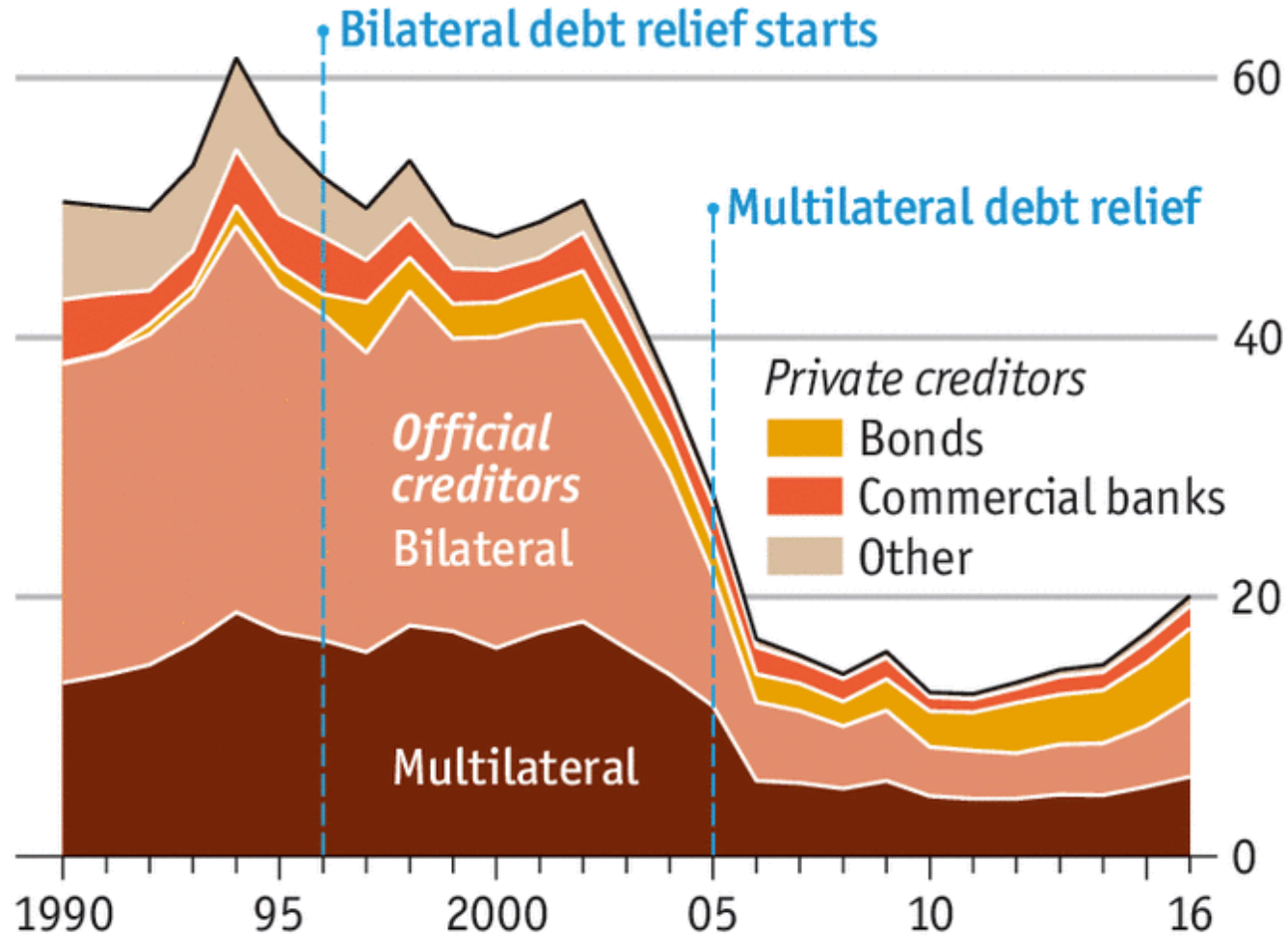
**AFRICA  
DROWNS  
IN DEBT**



Sub-Saharan Africa\*

## Public and publicly guaranteed external government debt

As % of gross national income



Source: IMF

Economist.com

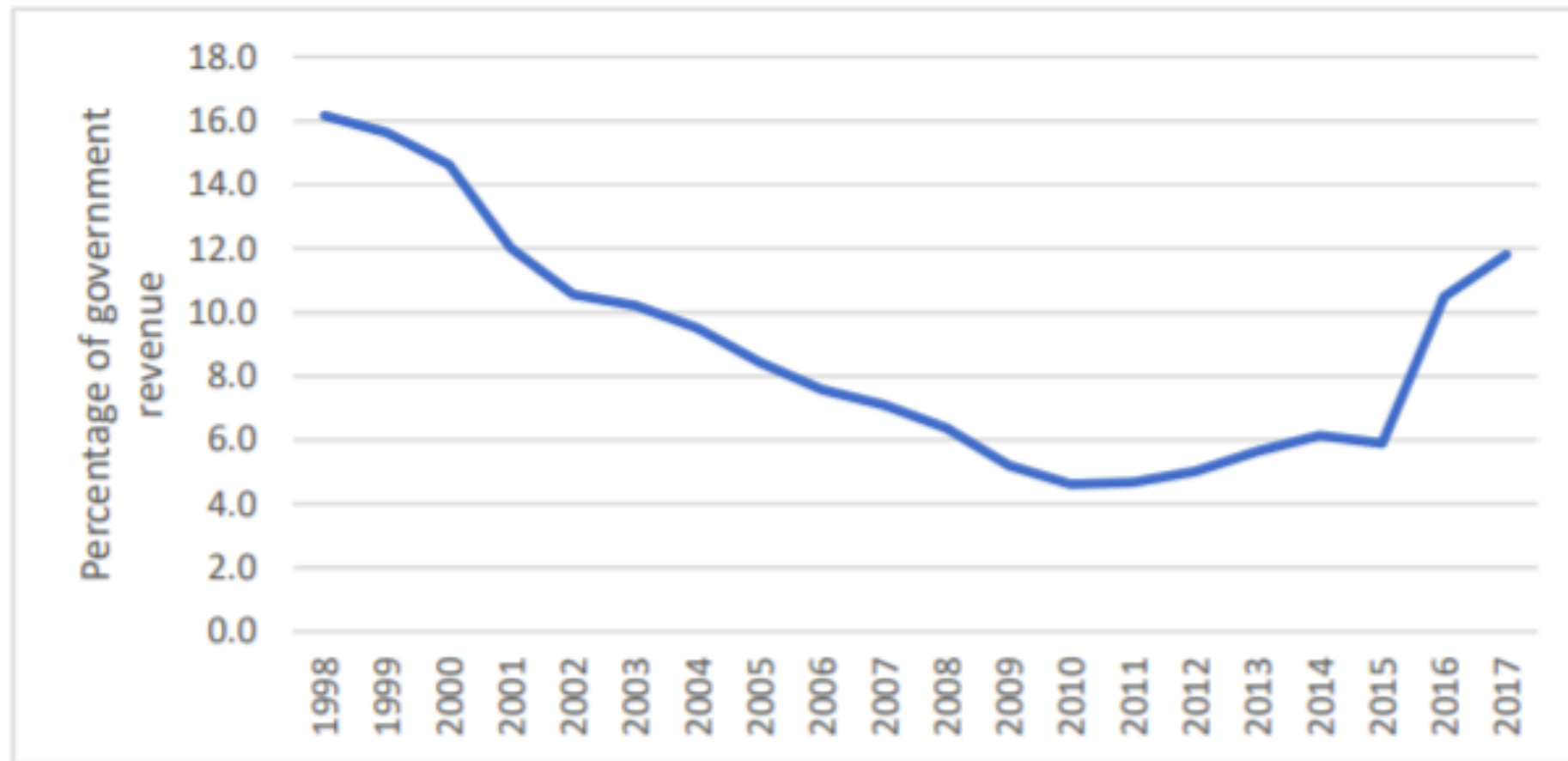
Concern of HIPC and MDRI gains

Debt cancellation meant to improve growth prospects and attractiveness of economies

Less reliance on grants



**Graph 1. Mean average African government external debt payments as a percentage of revenue, from 1998 to 2017<sup>1</sup>**

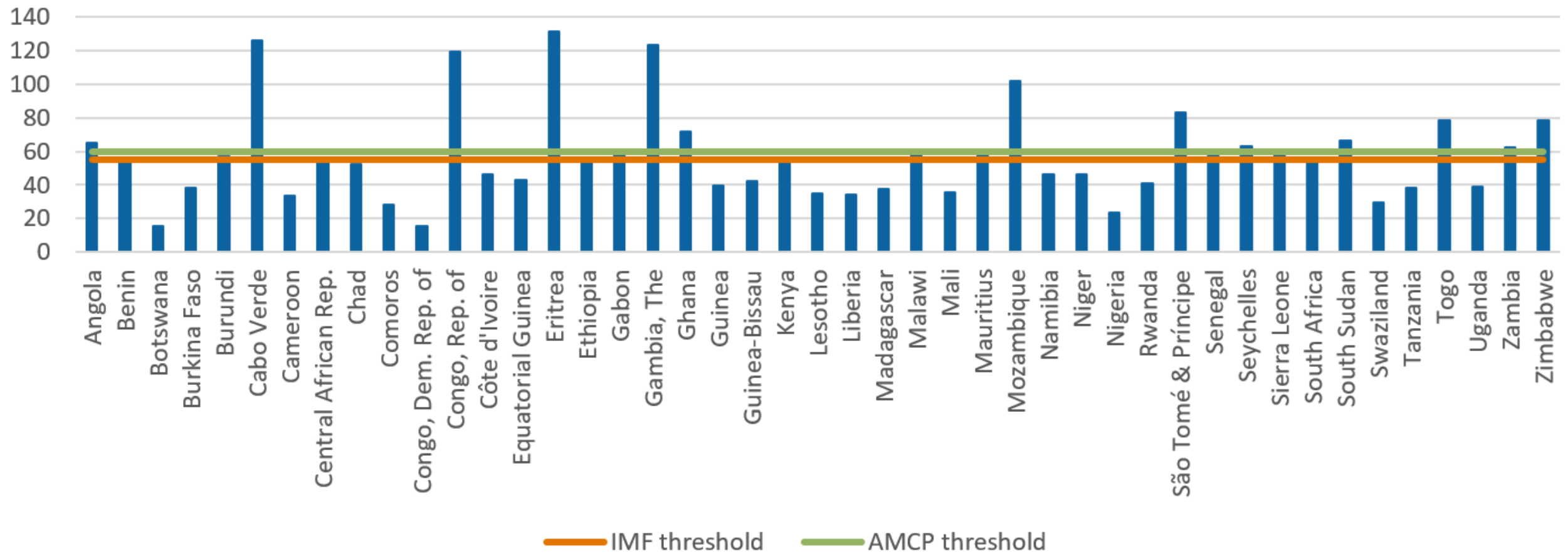


**1. Assumed to continue rising?**

**2. Assumptions on growth prospects?**

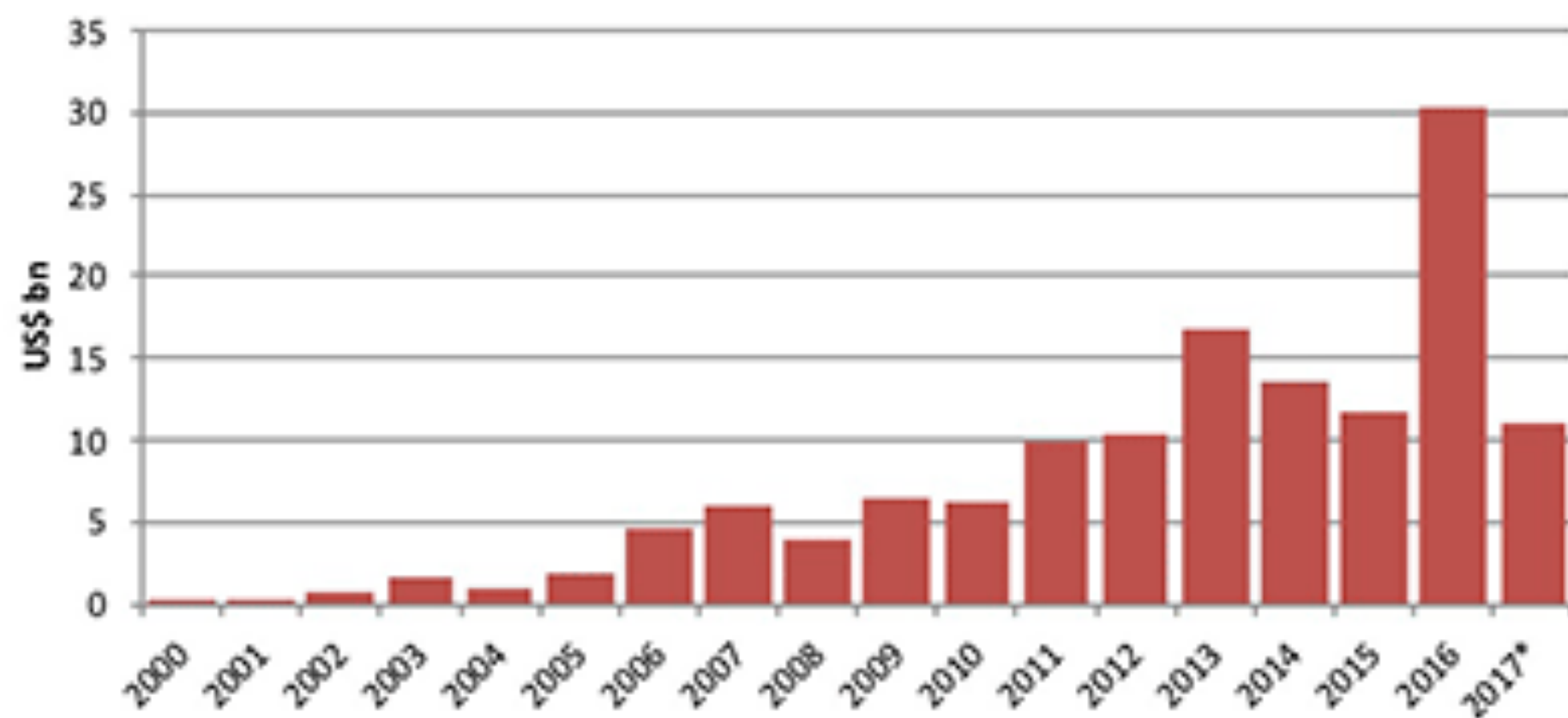
**3. Crowding out priority expenditures**

**4. Need to step up DRM efforts over the medium term**



NB: Not all public debt or other contingent liabilities may be fully disclosed

## Chinese Loans to Africa

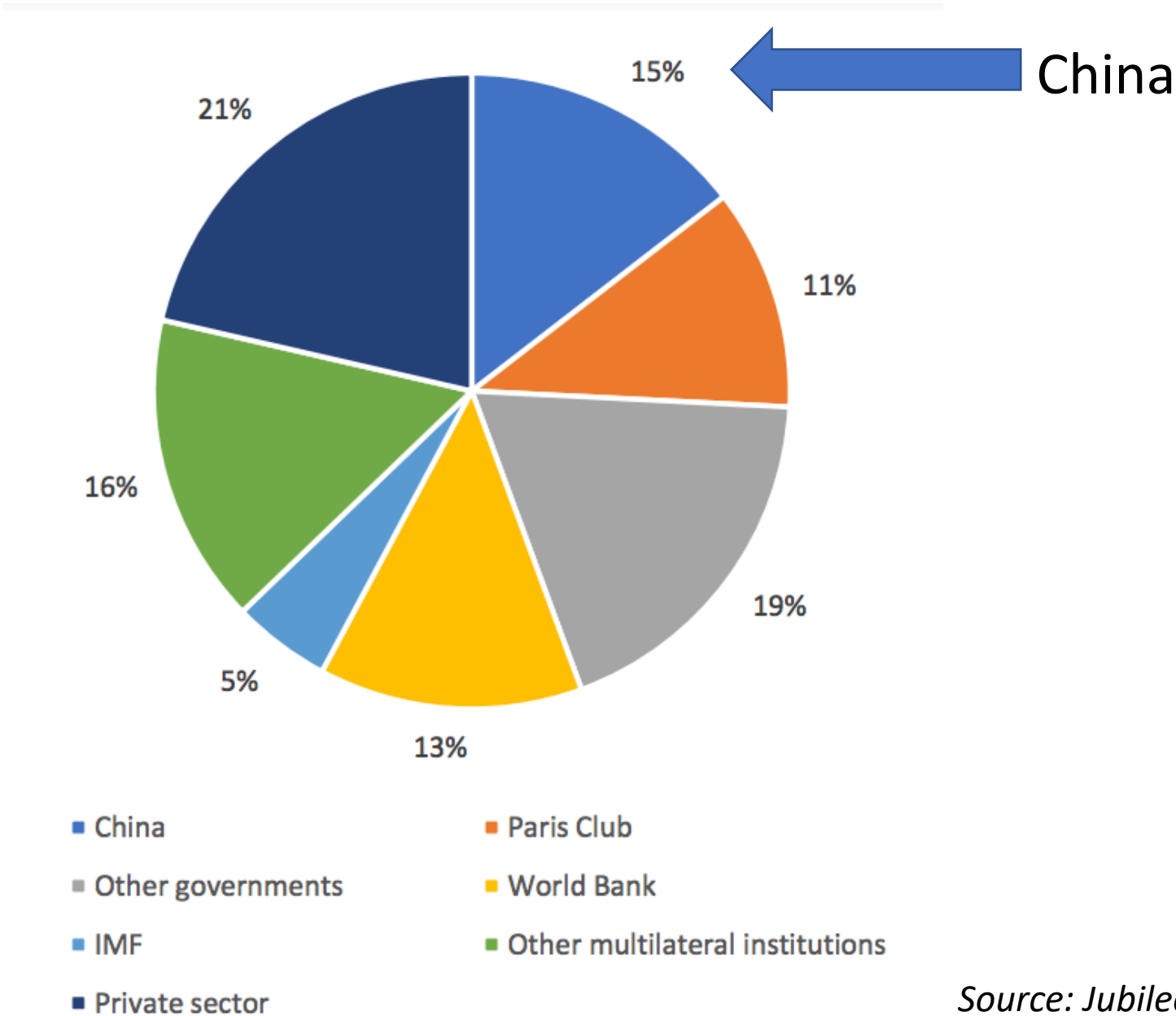


Version 1.1. August 2018

**CHINA★AFRICA**  
RESEARCH INITIATIVE

  
JOHNS HOPKINS  
SCHOOL OF ADVANCED  
INTERNATIONAL STUDIES

# Creditors for the 15 countries in debt distress or at high risk



Source: Jubilee Debt Campaign (2018)



# World debt hits record \$247 trillion

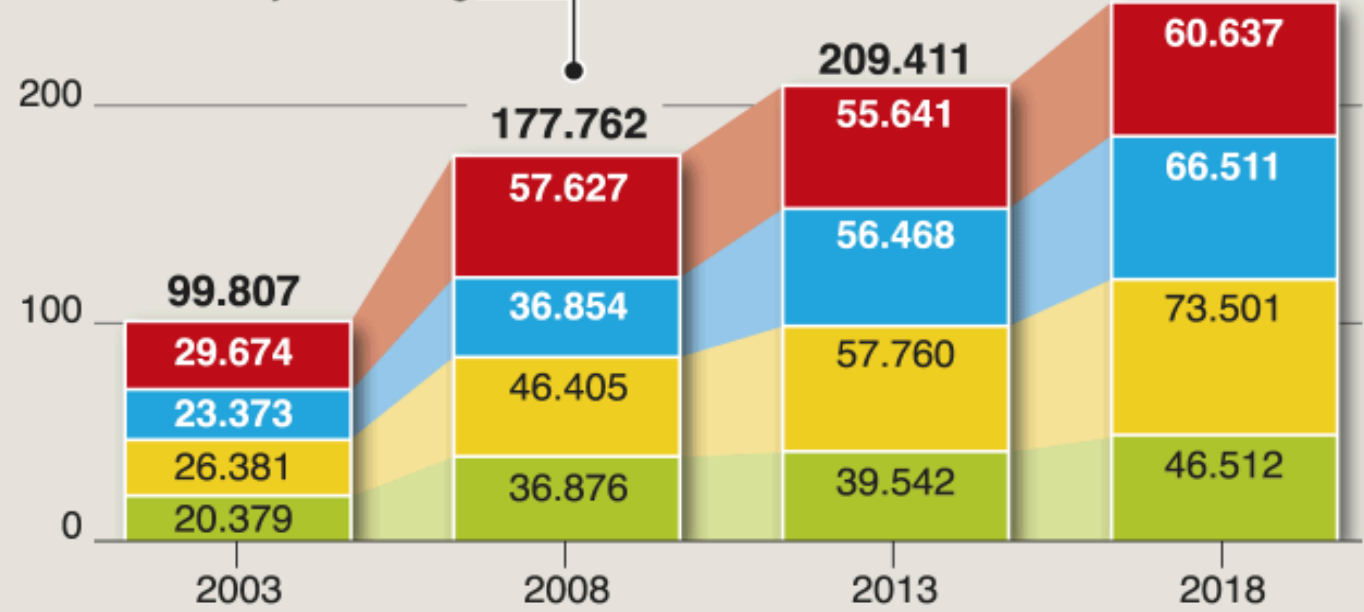
Global debt rose to a record \$247 trillion in the year to the end of March, piling pressure on emerging markets. World debt has surged almost \$150 trillion over the past 15 years

Global debt (1st quarter, US\$ trillions\*)

● Household   
 ● Non-financial corporate   
 ● Government   
 ● Financial

**2008:** Following global financial crisis, households, businesses and governments in emerging markets (EM) more than double their foreign currency borrowing

**2018:** After decade-long borrowing binge, EM debt hits \$58.5 trillion, 84.3% of total \$69.4 trillion increase since 2008



\*\$1 trillion = \$1,000,000,000,000

Source: Institute of International Finance

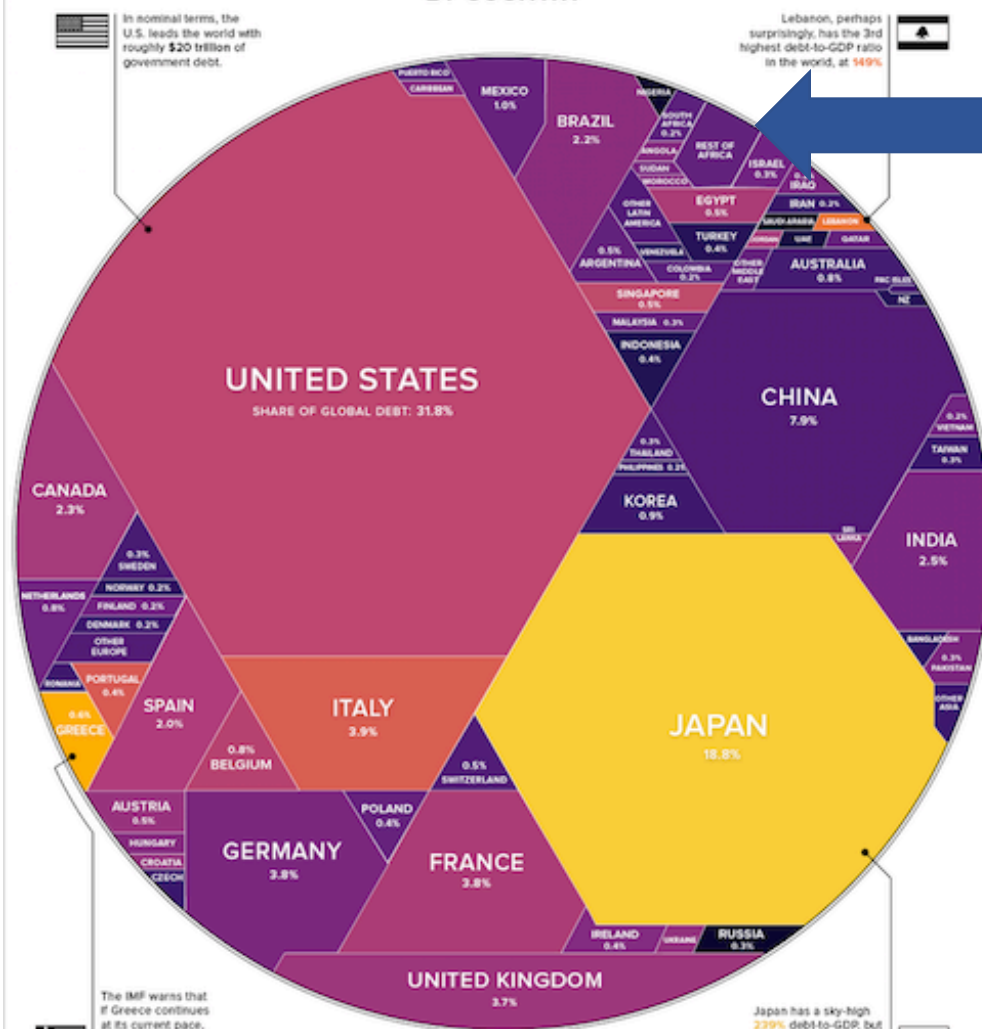
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GN38155 Graphic shows increase in global debt over past 15 years and proportion from emerging markets.



# Percentage of World Debt

BY COUNTRY



Debt as a Percentage of GDP



# Risk of absence of Medium Term Strategies

- Unplanned borrowing, poor loan profile and composition
- Increased debt service crowding out priority expenditures
- Restricted access to new credit
- Stranded projects
- Pressure on the exchange rate
- Misalignment of public expenditure
- Default
- Years of macroeconomic stability gains wasted
- Deteriorating social conditions

# Need for Medium Term Debt Strategies

## Country Specific

- Funding SDGs/Managing risks
- Fiscal discipline
- Choice of investment
- Full disclosure and transparency
- Explore longer maturities
- Mismatches especially FX
- Targeting?
- Debt management, data including all guarantees
- Local capital markets
- Explore suitability of independent debt management offices??
- Keep an eye on domestic debt

"In God we trust, everyone else bring data."



**Michael Bloomberg**  
*Former Mayor of New York City*



Thank You