

COUNTRY DEBT GUIDE



AFRICA UNCONSTRAINED
PERSPECTIVES ON THE
CONTINENT'S NEW ERA



DEVELOPMENT
REIMAGINED

JANUARY 2021

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INTRODUCTION TO THE GUIDE

Economic analysis of African countries often groups the entire continent together. The term ‘Africa’ is frequently used as a broad generalisation for one or a small collection of African countries. This is unhelpful and contributes to a perception that conflates a single country to represent an entire continent. Africa is not a country.

With this in mind, it is useful to draw a healthy dose of scepticism on claims of an “African debt crises” or an “African economic crises”.¹ The diversity in economic and political experiences across the continent necessitates a country level analysis of debt sustainability and vulnerability. This guide - created as part of and for the "Africa Unconstrained" Project seeks to do this.

Our analysis consists of 20 countries across Africa chosen for reasons associated with their debt position, including relatively high debt-to-GDP ratios and/or relative dependence on Chinese credit. Accounting for over 70% of total African debt stocks in 2018, these 20 countries are the most likely to face difficulties during the pandemic, making them fit for focus and better understanding.

Each country snapshot uses a combination of time series data, forecasts, and a qualitative analysis of each country’s debt position to explore debt levels, economic diversification, resource mobilization and reliance on Chinese loans. This report also uses a newly developed ‘Debt Transparency Index’ which aims to score each governments approach to making data surrounding government debt transparent and open to analysis from civil society. The methodology and individual country score can be found in the appendix.

This guide was written to be read and understood by those with a non-technical background. It provides a succinct snapshot of the current debt situation in each country, meaning the reader can flick through the guide and understand the debt situation of countries they are interested in, without being required to read the entire guide. Key figures and metrics can also be used to compare across countries, if the reader is interested. A glossary in the appendix also provides definitions and explanations of any technical terms used throughout the guide.

WHAT'S DIFFERENT ABOUT THIS GUIDE?

This guide is not only aimed at providing factual information. It is also aimed at providing this information with a lens – an “unconstrained” narrative – that has at its core key principles of African agency, accountability and equity.

More specifically, it is important for readers to be aware of **six innovations of this guide that distinguish the information provided from others on this topic**. They are as follows:

1. This guide **provides a historical context for countries' debt levels** – reaching back to the 1970s where data is available, not just looking at trends since 2000 which will in many cases show debt rising - since several African countries had their debt cancelled just prior to 2000. It also aims to distinguish whether rising debt payments occurred in the past as a result of new projects *or* increasing interest rates – which is important, since the former can have a material impact on lives, while the latter is just a higher cost.
2. This guide **explicitly acknowledges that for each country, new finance is needed in order to meet Sustainable Development Goals**, and such needs are likely to be higher the more in poverty that a country is. In addition, the more in poverty a country is, the less potential for financing from domestic taxes or savings, and therefore the higher needs for loans from international creditors. By making this need explicit, the guide makes explicit the conundrum that the poorest countries are in with regards to debt levels – they need more from outside creditors, but are often subjected (by other analysts) to the same “credit limits” as richer countries.
3. This guide **looks and compares all the contributions that major creditors** together have made in the past to debt cancellation/relief. In particular, it includes debt relief by China – who is usually excluded from such numbers because China did not join the “Paris Club” and coordinate with other bilateral or multilateral creditors to provide its debt relief. But recipient countries still benefitted from the relief. So we acknowledge this where it occurred – providing comparisons to other creditors for context where relevant – and also make clear when countries were and were not included in the coordinated debt relief packages.
4. This guide **seeks to focus readers on accountability to African country's citizens for financial decisions** – as opposed to accountability to the international system. An example of this approach is the methodology for the debt transparency index. Another example is that with respect to COVID19, the guide first begins by describing the financial actions governments have taken to respond to COVID19, and then to whom they have turned to for financial support. This context is aimed at allowing for an assumption that governments are (usually) carrying out their responsibilities to citizens when requesting finance, not assuming they are acting in bad faith due to availability of external finance.

5. This guide **seeks to ascribe agency to African governments**. For instance, with respect to new financial support for COVID19, the guide does not, for instance, say that a multilateral or a bilateral creditor has simply given a new loan or grant aid – as some sort of charity. The guide makes clear that African governments have made decisions to take such loans or grant aid, and as such should be accountable to their citizens for these decisions now and into the long-term. For this reason, the guide also sets out terms and conditions of new loans, where data/information has been made available.

6. The guide **points out inequities in the international system where relevant**. For instance, it explains when/why only certain countries are or are not assessed by external creditors or other organisations for debt issues, and what this differential treatment might imply going forwards. As such, it helps readers themselves understand where the 2015 UN moral principle of “universality” that everyone and every country should be regarded as having a common responsibility for playing their part in delivering the SDGs – and therefore with all goals applying to all countries both as ambitions and as challenges – is not yet being properly and consistently applied.

With these six innovative approaches, our hope is to stimulate readers to fully contextualise and empathise with the situations that poor countries and citizens face now and into the future, and as such come up with new solutions that will lead to global poverty reduction and sustainable development – and avoid falling back into the mistakes of the past.

WHAT DOES THIS GUIDE REVEAL?

For each country, the guide is organised in four sections, for which the overall results of each section can be summarised as per below.

Africa's Debt History

African macroeconomic performance has both stagnated and improved considerably in the last four decades. From the late 1970s and until the mid-1990s, most African countries fell behind due to a debt crisis. Prior to this, many countries – in particular those coming out of colonisation - had been using money from their exports, as well as loans from other governments and international private banks (the “private sector”) as a means to build infrastructure and industrial capacity. With the second oil price shock of 1979 in particular, many experienced what can now be called several “grey rhinos” – a combination of falling commodity prices, rapidly rising interest rates on existing debt, adverse weather conditions. Political instability and a host of other country-specific issues thereby ensued in many of the same countries.² In many countries, financial support from multilateral organisations was accompanied with “Structural Adjustment Programs” (SAPs), which sought to rein in government spending while bringing in the private sector to deliver public services. The continent’s GDP per capita growth contracted in all but three years from 1977 to 1994³ as a number of African countries defaulted on debt payments, incomes fell from low commodity prices, and the privatisation from the SAPs widened rather than narrowed citizen’s abilities to access basic necessities.

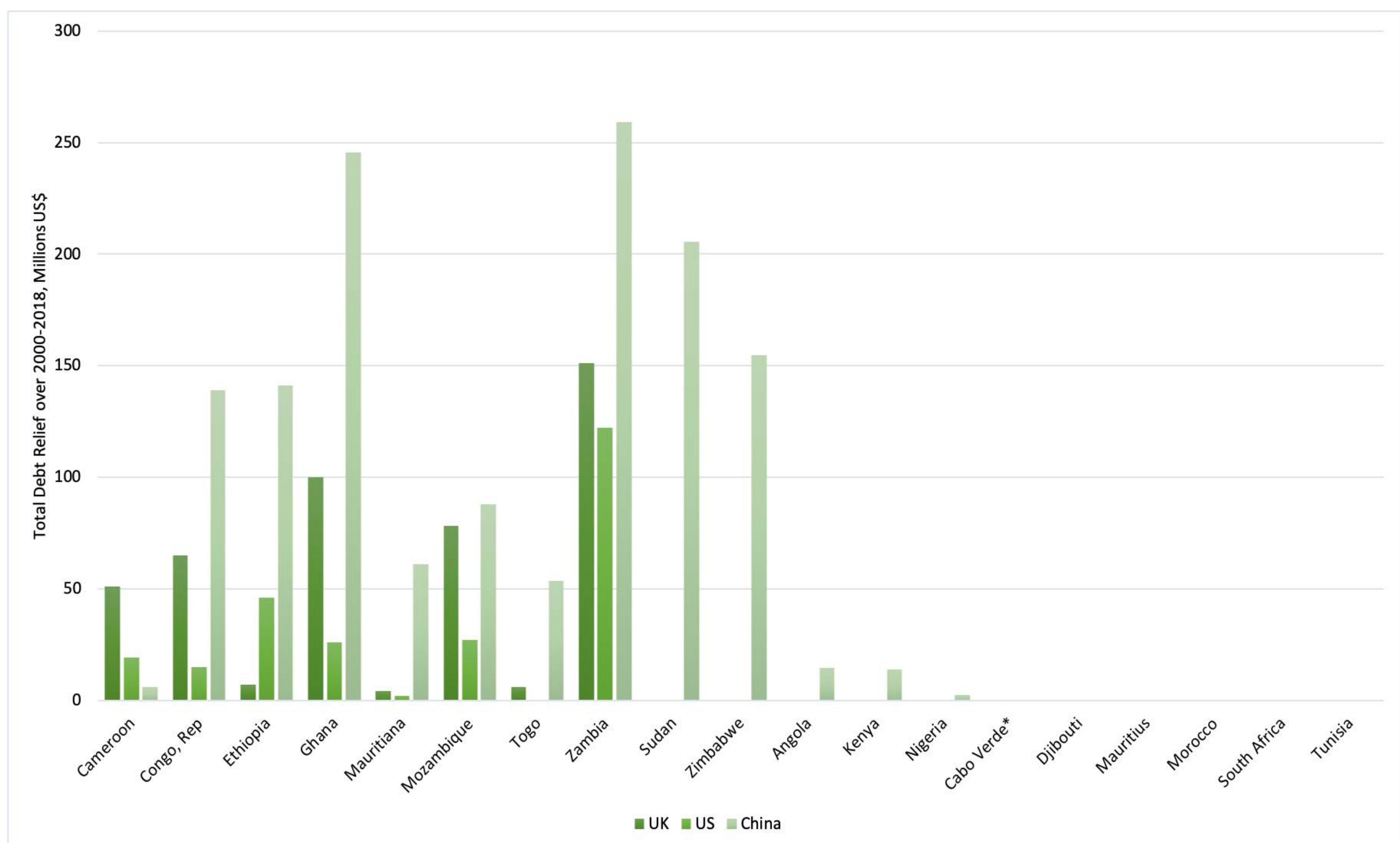
Growth returned globally in the late 1990s and accelerated through the 2000s, and the debt crisis soon ended amid the implementation of the Highly Indebted Poor Country (HIPC) initiative, which cancelled about \$100 billion in external debt across 31 African countries and 6 elsewhere.⁴ Through HIPC, the 20 countries in this guide requested and were granted a total \$12.5 billion in debt relief from traditional “Paris Club” creditors and multilateral organisations. However, 11 of the 20 countries in this guide were – for various reasons – not included in the HIPC initiative.⁵ Nevertheless, as debt relief (often classified as foreign aid) freed up financial resources for infrastructure investment and socio-economic spending and/or commodity prices rose, governments restructured their economies, and peace returned to previous conflict areas. By the early 2010’s, Africa emerged as the fastest growing continent, with nearly half of its 55 countries attaining middle-income status as of 2012.⁶ Certain countries were able to transform this growth into poverty reduction, meeting at least some of the UN Millennium Development Goals (MDGs) by their 2015 deadline. But for many, continuous increases in population dampened this potential.

The Role of Chinese Financing

Over the last four decades, China has developed, and African countries have sought more loans from China over time, as well as other emerging economies and traditional bilateral and multilateral donors. China has therefore now become a major bilateral actor in Africa's debt portfolio. The China Africa Research Initiative estimates that between 2000 and 2018, Chinese loan commitments with African government and state-owned enterprises totalled US\$148 billion.⁷

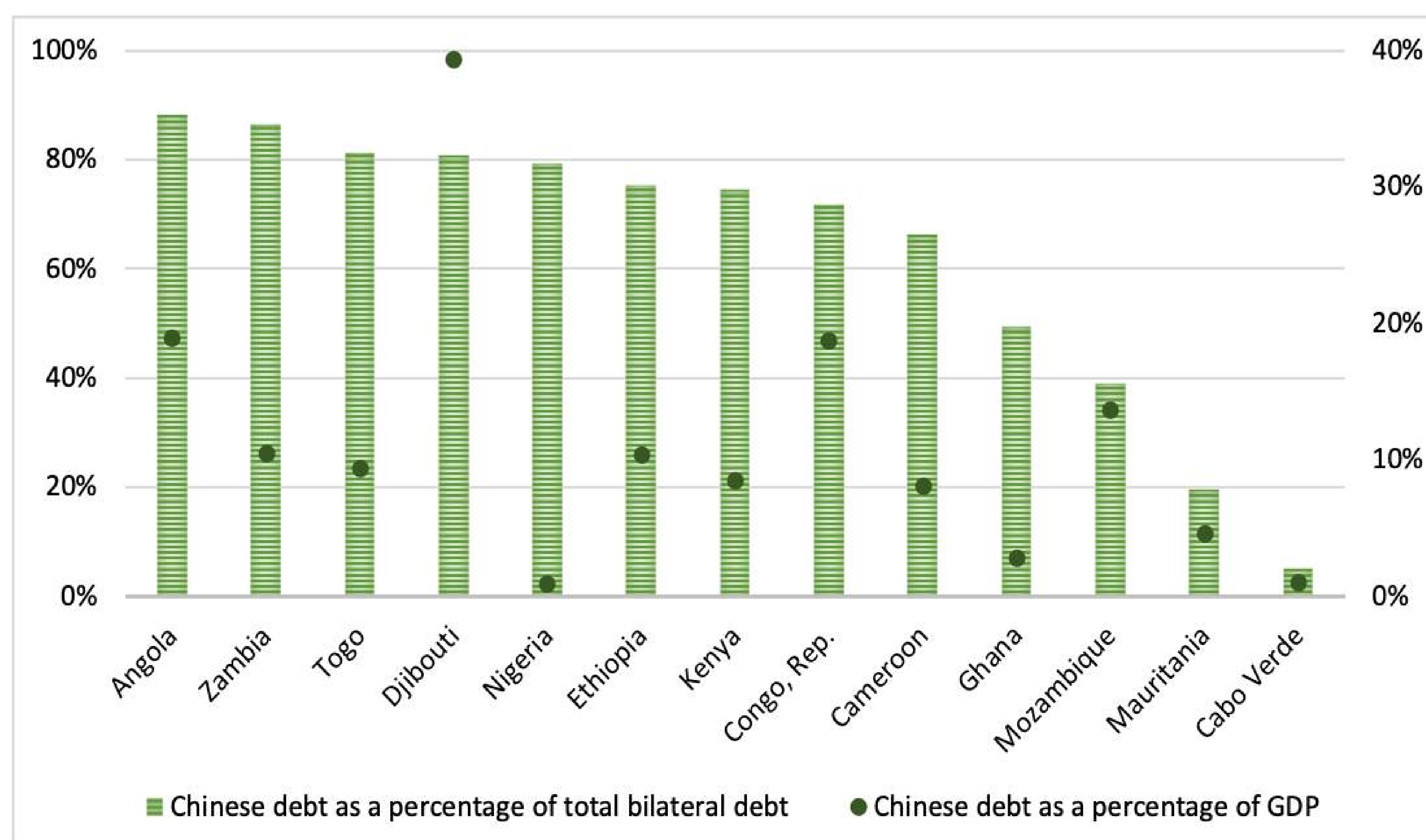
However, as per other lenders, China has shown flexibility and an openness to provide debt cancellation or restructuring to help African countries ease their debt burden, even if not coordinating with others.⁸ Since 2000, our group of 20 analysed countries have requested and been granted over \$1.3 billion in debt relief from China and engaged in billions more of debt restructuring, such as extending the maturity debt or lengthen the grace period. However, 6 of the 20 countries did not receive any debt relief, at least announced publicly.⁹ As shown below, the levels of relief provided by China for each country were fairly comparable – and in most cases exceeded – levels provided by other “Paris Club” bilateral creditors who coordinated with each other.

Figure 1 Debt cancelled by China compared to debt cancelled by other bilateral lenders over 2000-2018 for 20 Selected Countries



The current impact of Chinese loans on debt levels and repayments in Africa varies from country to country depending on their geography, natural resources, the extent of their historical ties and access to finance from Europe and the US as well as the varying terms of the loans offered. Resource-rich countries appear to have historically sought more finance from China compared to others – such as Angola, Zambia, the Republic of the Congo, and Mozambique.

Figure 2: Loans from China as percentage of all loans from official bilateral creditors and Loans from China as a percentage of GDP, 2018



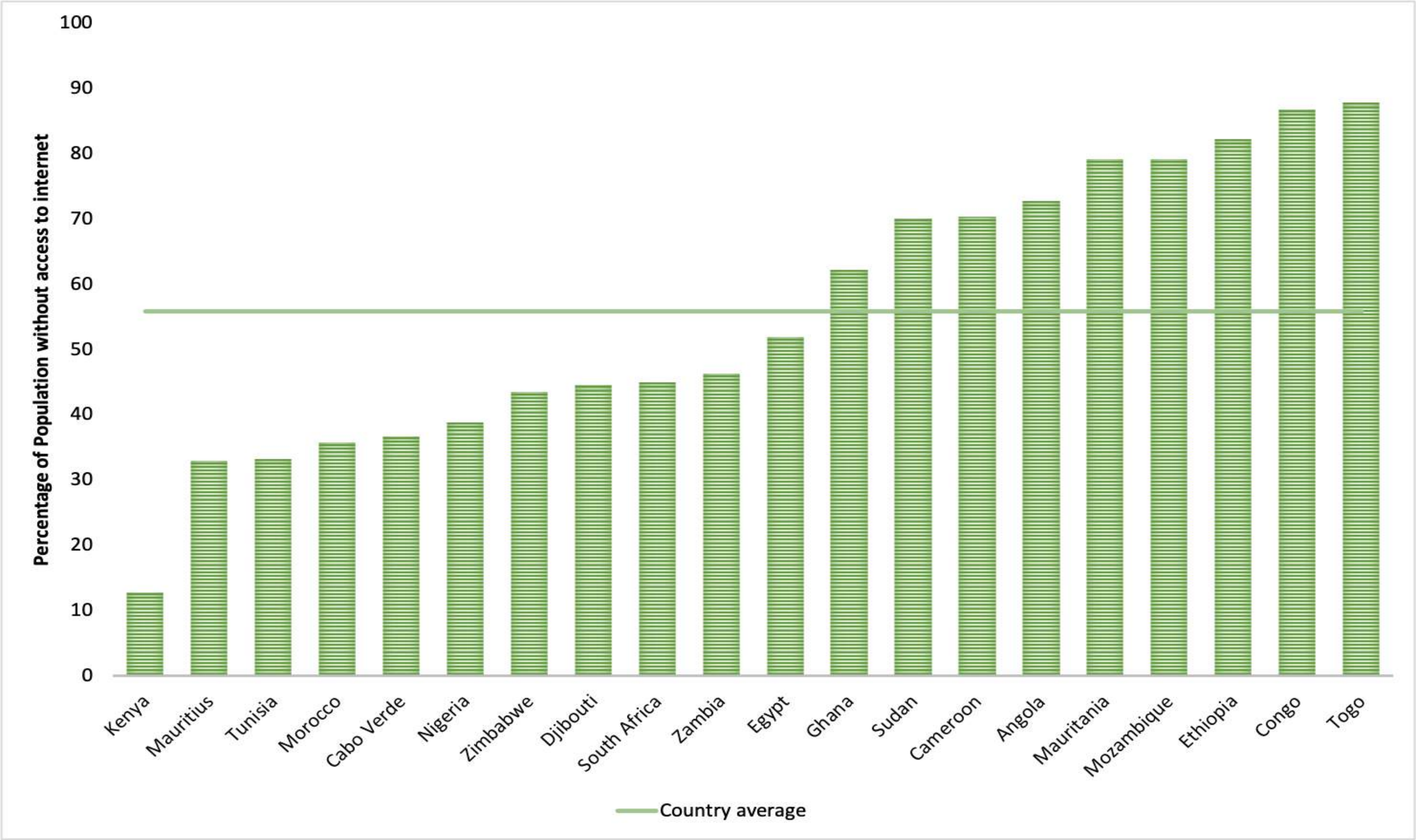
Current Financing Challenges across Africa

While there has been a distinct improvement in growth and poverty outcomes for African countries over the last two decades, the fact is that more long-term developmental challenges across Africa remain which in some cases can only be addressed through external finance – and in particular loans.

The African Development Bank estimates Africa's infrastructure financing needs at up to USD 170 billion a year by 2025, with an estimated external financing gap of up to US\$68 to 108 billion a year.¹⁰ This does not even take account of public (or private) financing needs to meet non-infrastructure SDGs – such as certain aspects of education or health. While complete data is not available on a broken-down level to be able to set out the specific financing needs for infrastructure or SDGs per country, it is possible to use proxies to understand the scale of the challenges still ahead for different countries.

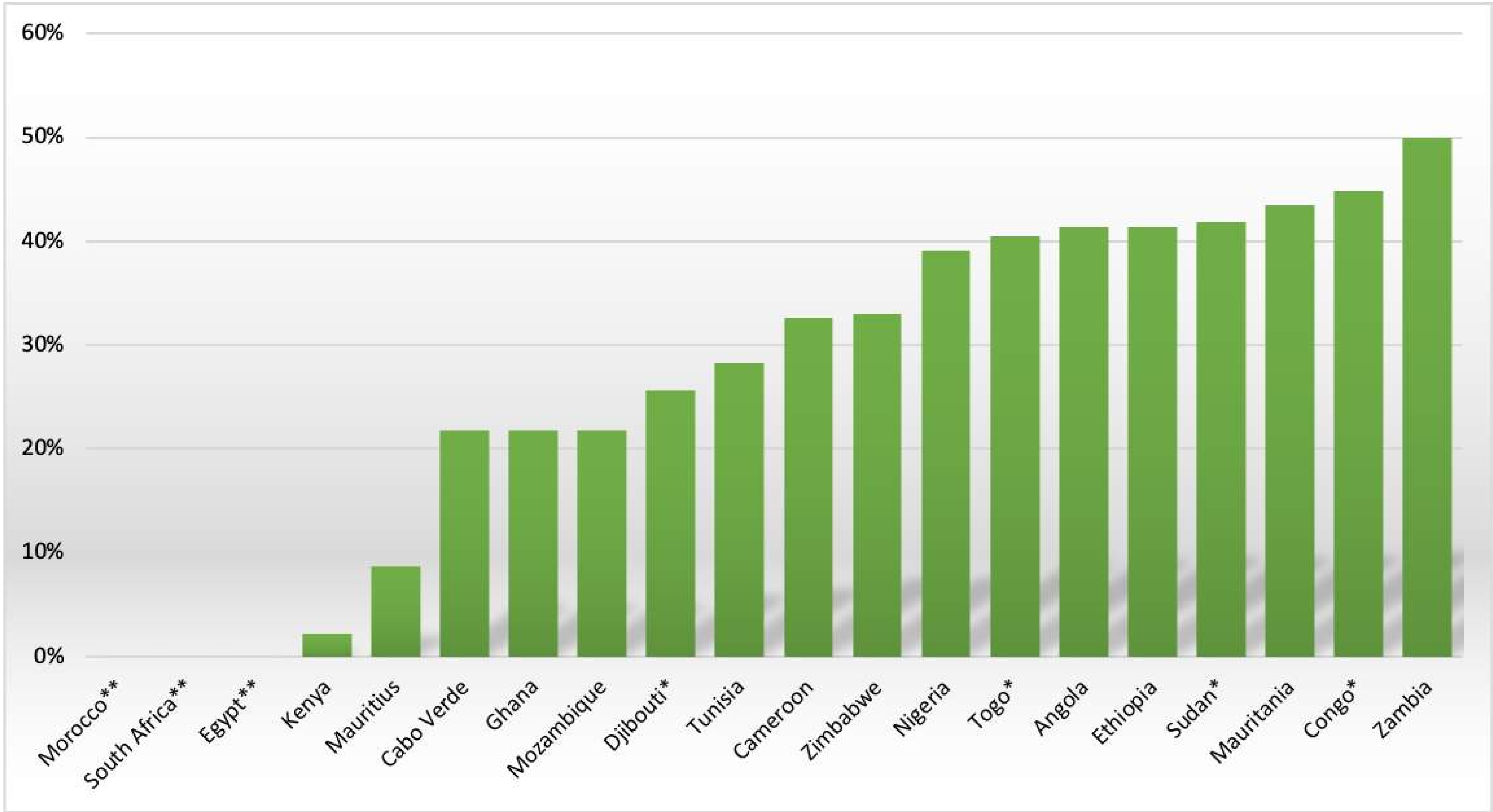
For instance, on average, the 20 countries in this guide – some of which are the most developed on the continent – still have 30% and 39% of their populations without access to electricity and a water supply, respectively.

Figure 3: Percentage of Population without access to internet in 20 select African countries, 2018



Internet use has grown rapidly over the past decade but large proportions of populations still lack proper access. Eight countries in this guide need to more than double the km of roads they have to achieve a road infrastructure level that is similar to that of China's – which in itself is still not complete. Port infrastructure is also behind in the majority of the selected countries.

Figure 4: Port infrastructure improvements needed to reach Chinese levels in 20 Select African countries



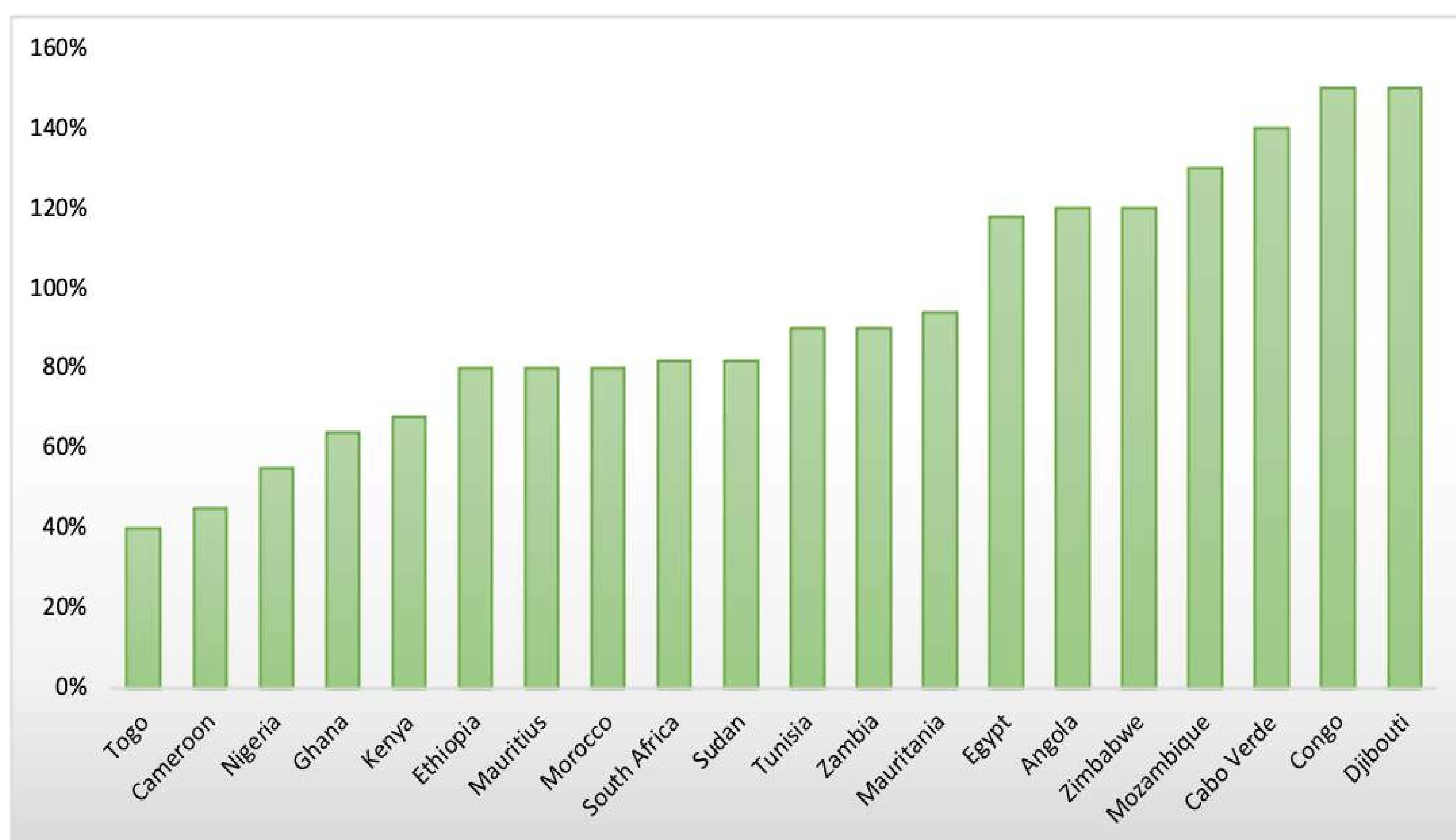
*Focuses on trade and transport infrastructure opposed to port infrastructure
**Morocco, South Africa, and Egypt have exceeded Chinese levels of port infrastructure

At the same time, debt portfolios have become more complex (again). Having “graduated” from low-income or least developed status, many African countries’ have become ineligible for highly concessional multilateral loans and grants – so they have switched debt stocks to China and other emerging economies (as per earlier section), as well as to market financed bonds that carry higher interest rates. Over a dozen countries in the continent have issued sovereign bonds in the last decade, promoting financial independence and integration, but also new risks.¹¹

As a consequence – especially following the late 2010s decline in oil prices – debt levels have been rising again, with the overall ratio of debt to national income in one or two cases approaching levels last seen before the HIPC program. This has raised concerns about another debt crisis. As of 2019, before COVID19, the IMF classified nearly a third of African countries at risk of or facing debt distress.¹²

However, a closer look reveals that countries have hugely different debt accumulation paths: In 2020, Congo and Djibouti are forecast to hit public debt levels of 150% of GDP, whilst Togo and Cameroon will have levels of 40% and 45% respectively. The 20-group country average is 94% of GDP, a figure that is higher than traditional thresholds suggested by the IMF, but also masks the underlying differences amongst countries. As noted above, the source of debt also varies amongst countries – Debt owed to China as a percentage of GDP has reached 39% for Djibouti, and 19% for Angola and the Republic of Congo. Meanwhile, this figure is as low as 1% and 3% for Cabo Verde and Ghana respectively, who rely on more traditional and multilateral creditors.

Figure 5: Levels of public debt in 2020 as a percentage of GDP



Moreover, the macroeconomic fundamentals of these, and all African, countries also vary widely: the IMF also, in 2019, forecast that 6 out of the world’s top 10 fastest growing countries would be in Africa – namely: South Sudan (8.2%), Rwanda (8.1%), Cote D’Ivoire (7.3%), Ethiopia (7.2%), Senegal (6.8%) and Botswana and Benin (6.7%). These were not unusual growth rates. For instance, Ethiopia has averaged double digit rates of economic growth since 2004. On average, African countries grew by 3.5% in 2019, and prior to COVID19 were expected by the IMF to grow by 4%.

The Impact of COVID19 on Financing

The COVID-19 pandemic has placed government budgets under significant immediate challenges. Overall, African governments have set aside \$68bn to respond to the economic and health challenges of COVID19, which equates to an average of 2.5% of GDP, but varying widely depending on needs and fiscal space available. At the same time, because of COVID19's economic impacts, they are facing reduced potential to collect tax revenue due to a fall in investment and consumption.

As a result, the IMF has changed the debt classification of many African countries. Of the 20 countries in this report, the IMF now suggests that four are already IN debt distress (Republic of Congo, Mozambique, Sudan, Zimbabwe), and a further eight at high risk of debt distress. The Jubilee Debt campaign has separately forecast that a slightly different six are in a debt crisis (Angola, Republic of Congo, Ghana, Mozambique, Zambia and Zimbabwe), and a further ten at risk of debt crisis in 2020, with just Cabo Verde, Mauritius, Nigeria and South Africa escaping the worst.

However, as noted above, macroeconomic fundamentals vary across the board, and these do not necessarily correlate clearly with the assessments by the IMF or Jubilee Debt Campaign above. For instance, despite economic disruptions in 2020, Ethiopia is still expected to grow by 3.4%, the fastest rate amongst the countries analysed. On the other hand, neighbouring Sudan's economy is forecast to shrink by over 7% in 2020, extending its economic recession into the third year.

Thus, whilst all of the countries examined in this report are expected to run fiscal deficits in 2020, with an average deficit of 6.8%, which is unexpected given the hit to revenue mobilization, the depth of deficit also varies widely. Zimbabwe, Congo, Angola and Ethiopia are all forecast by the IMF to run deficits of less than 4%, whilst both South Africa and Ghana's fiscal deficit is forecast to exceed 14%. In addition, these economic problems are circumstantial rather than systemic: growth is expected to return to the continent in 2021 at an overall rate of 3.7%.

Further, external creditors and international organizations have stepped in to assist in the stabilization of balance of payments in several countries. In April 2020, the World Bank's Development Committee and the G20 countries endorsed the Debt Service Suspension Initiative (DSSI) to help the poorest countries cope with COVID19. Under the DSSI, eligible countries qualify for a suspension in debt service owed to their official bilateral creditors – including China – by the end of 2020, and recently extended to mid-2021. As of late November 2020, the total estimated DSSI savings for eligible African countries amounted to US\$5.8 billion. This figure accounts for less than 10% of the total budgeted by African governments to address COVID19, but some have also requested grants and (mostly) loans from the IMF and World Bank.¹³ The importance of China's involvement in this initiative cannot be overstated, although ambiguity remains on the composition of China's concessional and commercial loans in its lending portfolio.

Despite all this action, there is no doubt that these questions and issues will continue to need to be tackled during 2021 and the coming years. COVID19 itself has reinforced the need for infrastructure finance, especially digital infrastructure. The African Continental Free Trade Agreement (AfCFTA) has been agreed by African leaders but will not deliver economic growth if regional and domestic logistics are limited. Climate change poses additional costs on infrastructure for adaptation and resilience as well as to deliver green growth – especially renewable energy.

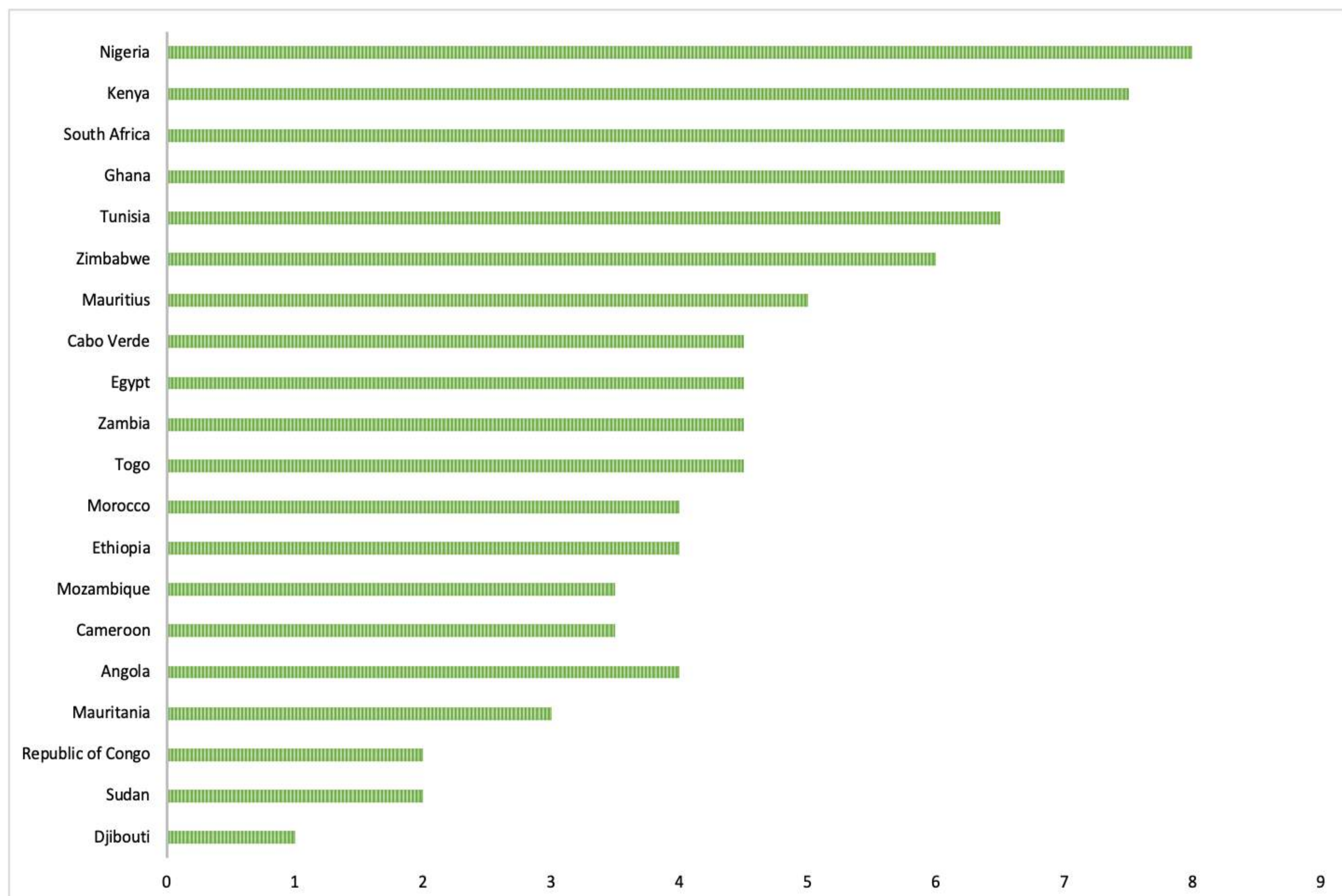
However, African countries appear to be interested in continuing to access external finance to meet these needs – including China's development finance if possible. For instance, a total of 44 nations (listed in Appendix III) have signed memoranda of understanding with China on its Belt and Road Initiative (BRI).¹⁴

Figure 6: Signatories to China's BRI initiative (highlighted in blue)



The key will be to use any new finance – including finance for COVID19 – in a productive manner, ensuring that every cedi, shilling or rand spent is helping citizens raise their standards of life in the short or long-term. The good news is that more governments are putting in place mechanisms to ensure they are accountable to citizens for doing so, including in countries whose citizens appear to be very concerned about debt levels – such as Kenya, Nigeria and Ghana, as suggested by the newly constructed debt transparency index for this guide.

Figure: Debt Transparency Scoring for select 20 African countries (out of Maximum 8)



But there is no doubt that more improvements can be made, including for some countries that the available data indicates have high levels of debt or fiscal challenges – such as Djibouti, Congo and Sudan.

This guide thus provides the context for exploring solutions to the financing conundrums, solutions that depend on both borrowers and creditors adapting to new circumstances. If not, the world may simply see a rerun of the post-1970s oil shock history, which should be avoided at all costs.



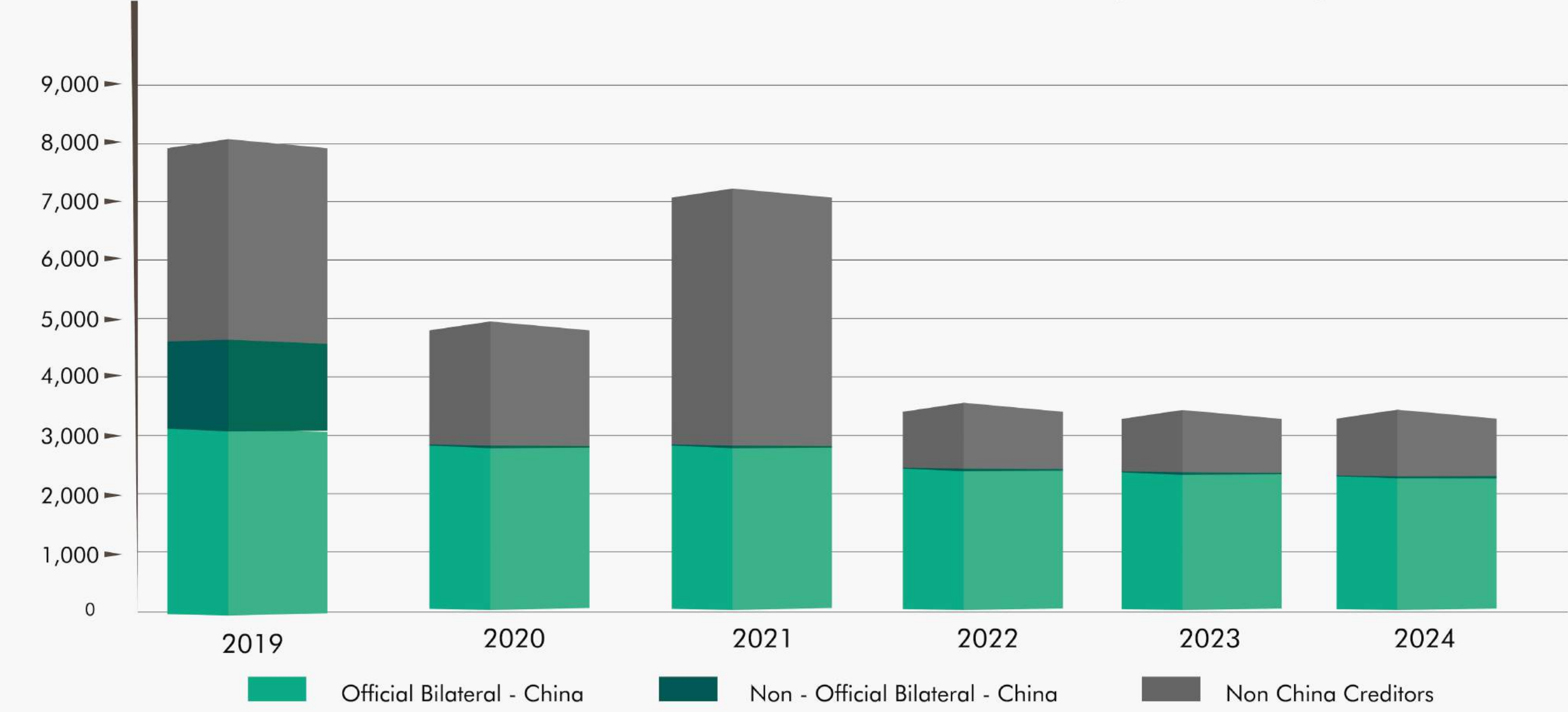
CONTINENT OVERVIEW

ANGOLA

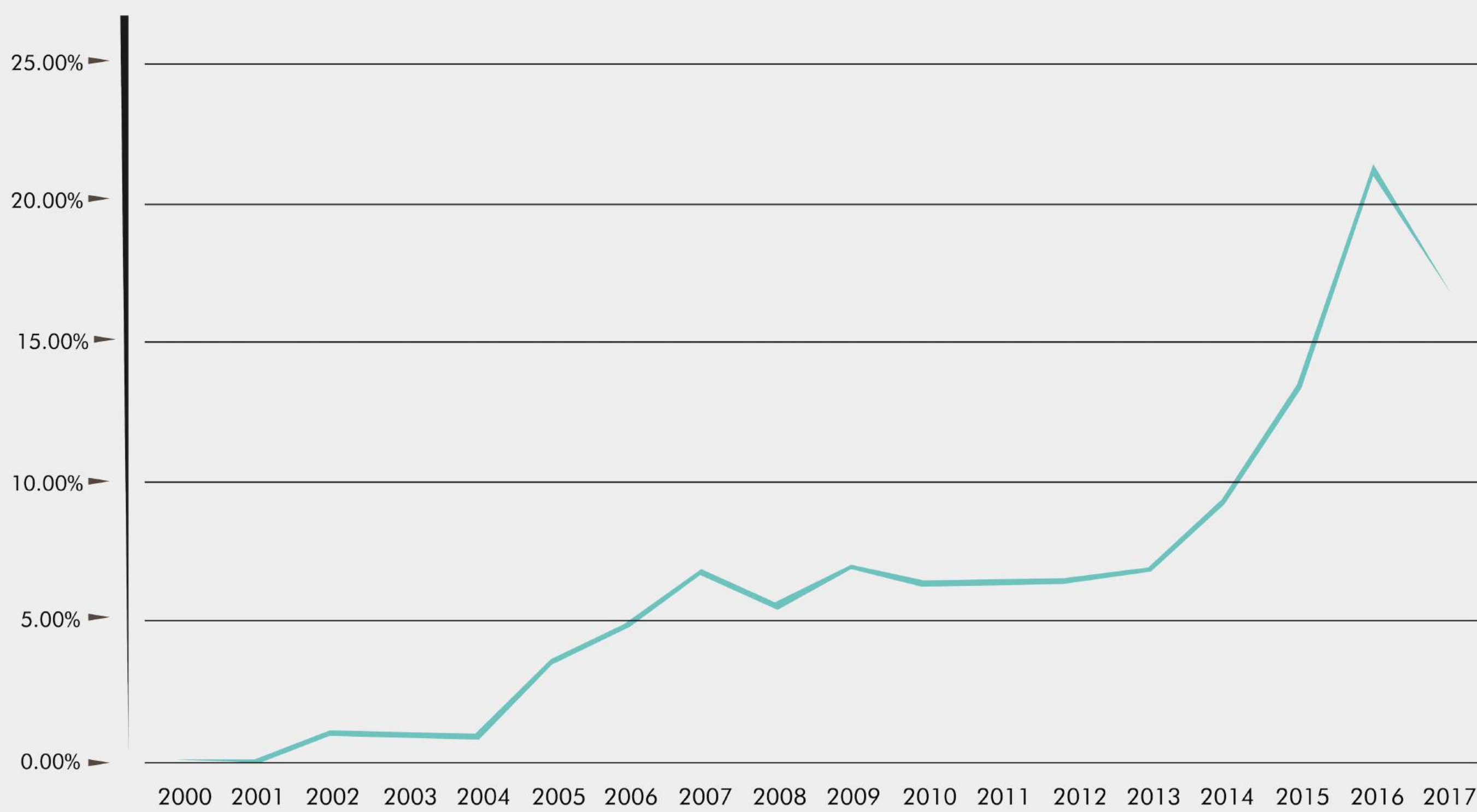
COUNTRY OVERVIEW



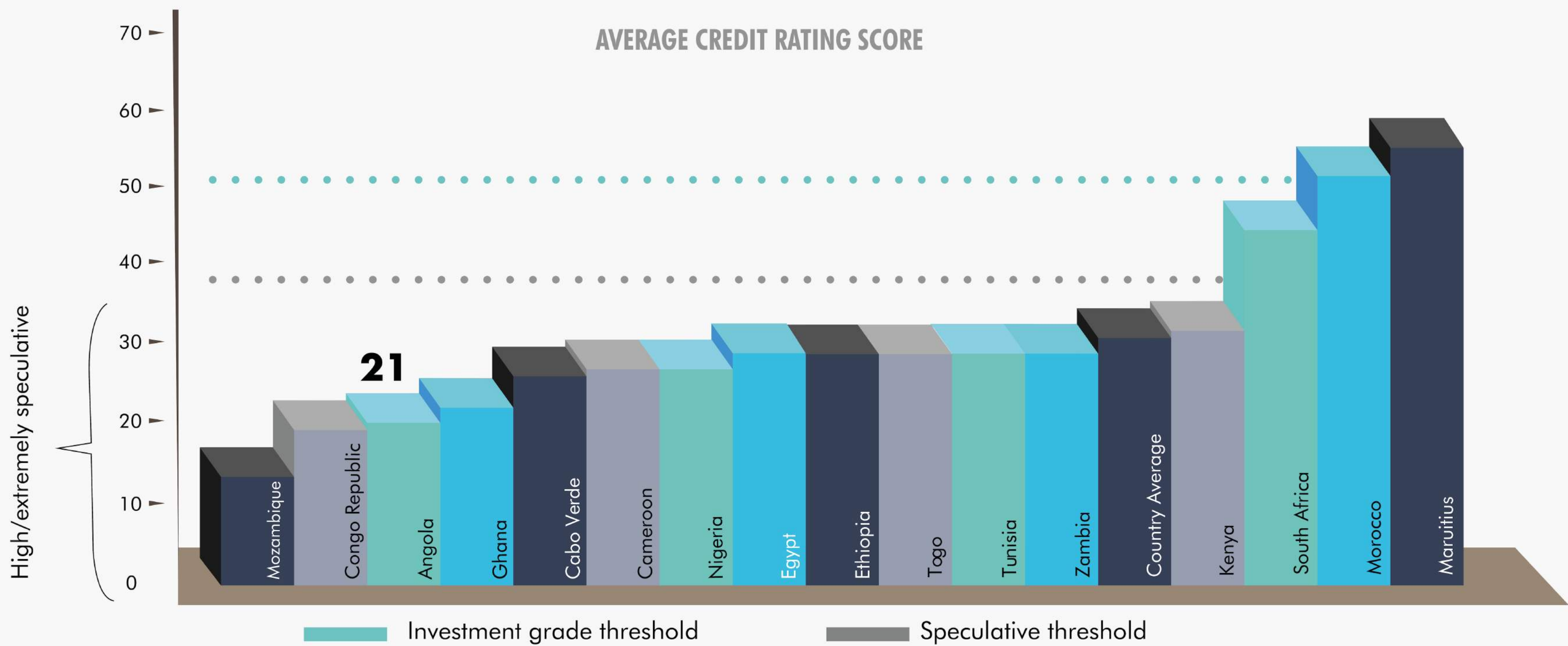
PROJECTED DEBT SERVICE TO CHINA VS. OTHER CREDITORS (USD MILLIONS)



CHINA DEBT: GDP RATIO



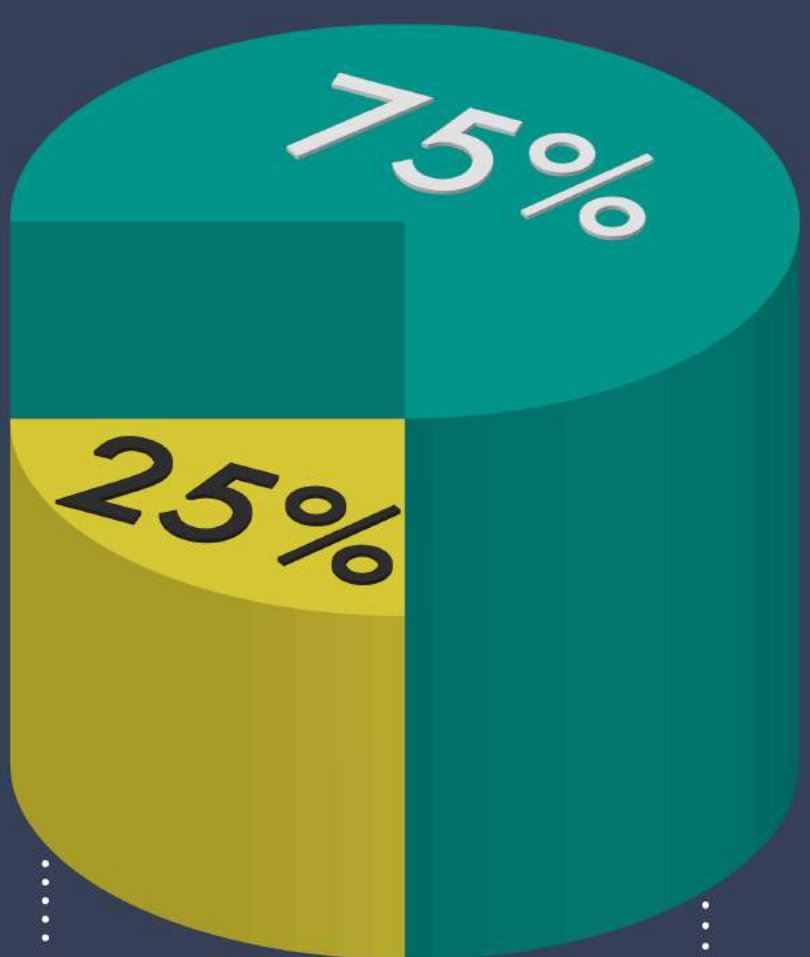
AVERAGE CREDIT RATING SCORE



SHORT-TERM EXTERNAL DEBT

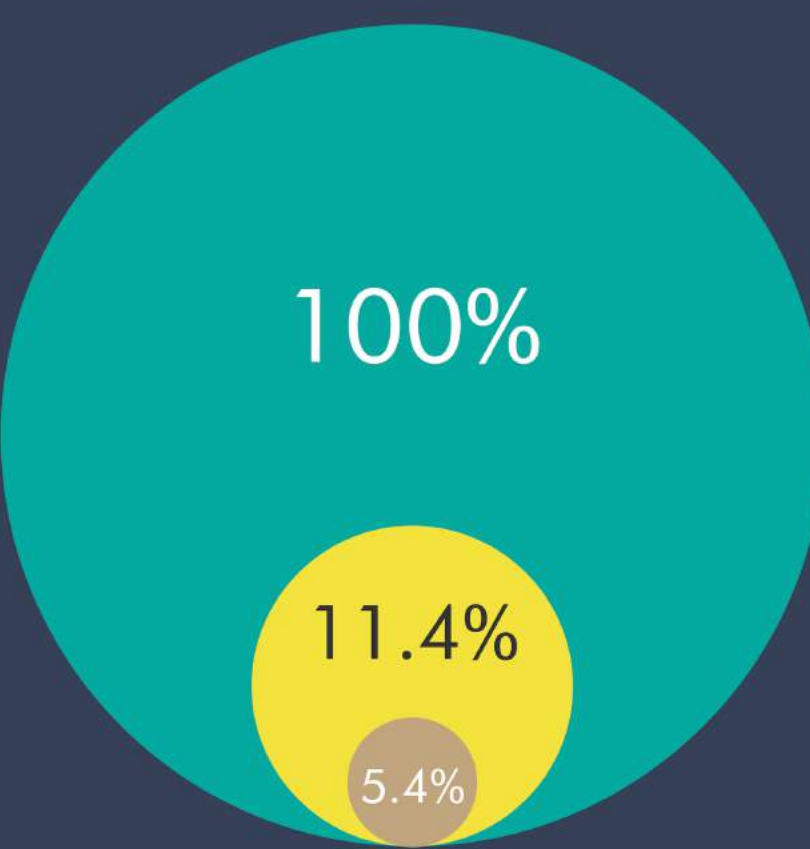


LONG-TERM EXTERNAL DEBT



PRIVATE SECTOR

PUBLIC SECTOR



for every \$100 the government
\$11.4 is spent on debt interest
payment...
whilst only \$5.4 is spent on health



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? Yes
Has ratified Africa Continental Free Trade Agreement? Yes

ANGOLA

Debt History

Due to Angola's high dependence on oil production and exports (see below), GDP growth has generally reflected the movement in oil prices, with annual GDP growth averaging 7.8% over the past two decades. However, since 2016 Angola has suffered annual recessions and is only forecast to return to growth in 2021.¹⁵

ANGOLA IN 2021

2.6% economic growth

107.5% public debt to GDP ratio

-0.13% budget balance

3 / 8 DR's Debt Transparency Index

The country's undiversified economy, along with the legacy of a prolonged civil war that only ended in the early 2000s, created problems with debt accumulation, with public debt as high as 220% of GDP in 1995. Although Angola was not invited to take part in multilateral debt relief initiatives, it did benefit from a small cancellation by China, and the country gradually decreased public debt during the mid-noughties.¹⁶

Angola's public debt to GDP ratio has increased substantially over the past decade, breaching 100% of GDP in 2019, the highest rate in Africa and among the ten highest in the world. The major cause of the growing debt to GDP ratio has not been increasing debt itself, but instead the decreasing size of the economy, which is forecast to shrink by a further 1.4% in 2020. The COVID-19 pandemic is leading to a further deterioration of government finances with the debt to GDP ratio forecast to peak at 120% by the end of 2020.

\$14.5 million Chinese debt relief

Not Part of HIPC Initiative

In 2019, the government introduced a three-year Medium-Term Debt Management Strategy, which included new tax measures, spending cuts, and privatization of state-owned companies, to strengthen government finances and ensure debt remained sustainable. The effects were noticeable, with the government running a fiscal surplus – where government revenues exceed expenditure – for two consecutive years.

It is also worth noting that Angola's score in the Debt Transparency Index this report has compiled is amongst the lowest, with no publication of government contracts, no effective freedom of information rules, and a highly limited amount of data available on government websites or data portals.

As Angola's debt has risen, so has the cost of servicing it; in 2010 interest payments were equivalent to 3.8% of total government expenditure, yet by 2017 they equated to 11.4%. For comparison, only 5.4% of government expenditure is allocated to health spending: for every Angolan Kwanza the government spends on health care, two Kwanza are given to creditors to pay the interest on its debt. This could represent a significant opportunity cost IF the projects paid for by the debt are not helping Angolans raise their standards of living. The types of projects Angola has initiated with loans from China and the World Bank are shown below, as a means of illustration.

ANGOLA

Angola



SUSTAINABLE DEVELOPMENT GOALS



THE WORLD BANK

Project Name	\$ million	SDGs
Housing Projects in Malange (2018)	80	
Railway Connection Project (2017)	150	
Two Unknown Projects (2017)	231	

Project Name	\$ million	SDGs
Growth and Inclusion Development Financing Project (2019)	500	
Buanda Bitá Water Supply Guarantee Project (2019)	500	
Strengthening the National Social Protection System Project (Cash Transfer) (2019)	320	

Chinese Debt Exposure

The importance of Chinese debt in Angola's financing portfolio has consistently increased over the past two decades, with Chinese debt accounting for less than 2% of Angola's total external debt stocks in 2002, increasing to 39% in 2017. This is driven by the absolute and relative increase in Chinese loans whose growth has almost consistently outpaced that of overall external debt in the last two decades. In 2016 Angola borrowed US\$17.6 billion from China for the mining sector alone.

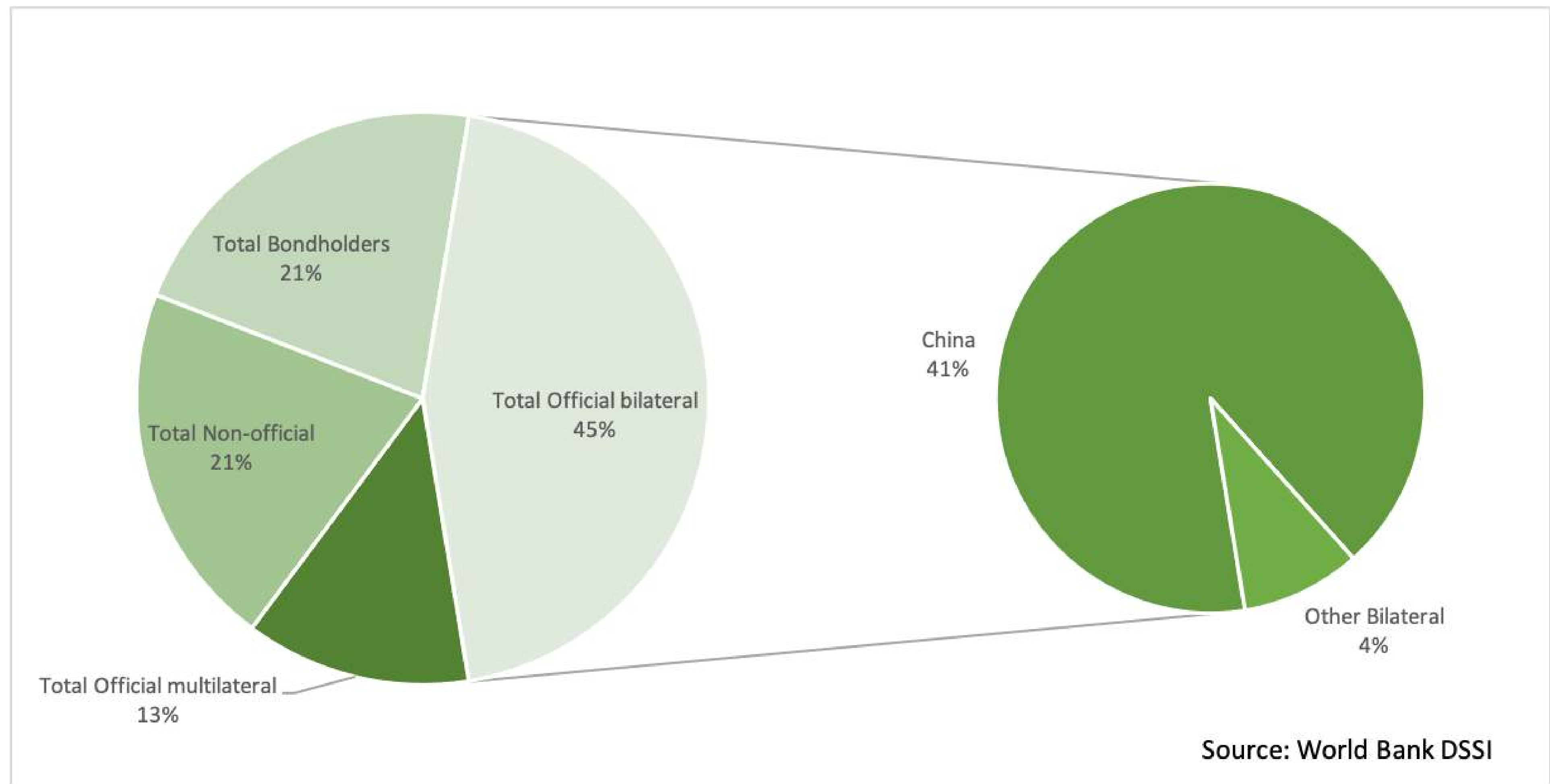
Indeed, Angola is now the biggest recipient of Chinese debt of any African economy in particular oil-backed financing instruments – using its rich oil reserves as collateral – to access Chinese finance (NB: These instruments were first used in Sudan).¹⁷

Such resource-backed loans (RBLs) provide a clear benefit to Angola's citizens in the sense of ensuring oil revenues are fully dedicated (i.e. hypothecated) to infrastructure spending projects and ensuring less chances for funds to be lost to tax havens, for instance. In addition, in some cases, if well negotiated, such instruments can be designed to provide a buffer for borrowers against low oil (or other natural resource) prices¹⁸, an issue that has become pertinent since March 2020 when oil prices plummeted.

On the other hand, there are – as mentioned earlier – potential opportunity costs associated with RBLs: Angolan citizens may prefer the oil revenues to be spent on other issues such as education or health. In addition, such instruments do not eliminate the potential of overinflated project bids, which can be associated with corruption. Finally, if not well negotiated RBLs can leave Angola particularly vulnerable to oil price fluctuations, especially unprecedented price shocks as occurred in 2020.¹⁹ For instance, if debt obligations and loan repayments are linked to a fixed crude oil price that has meant as the price falls, Angola would be obliged to export larger quantities of oil to China to service its debt.²⁰ However, it is not clear how Angola has negotiated these RBLs with China. Statistics suggests there may not be a significant buffer. For instance, debt service to China accounted for 54% of Angola's total debt servicing costs in 2017, despite only accounting for 39% of all debt stocks.

ANGOLA

Figure 1: Composition of Angola's debt stocks



Current Financing Challenges

WHAT DOES ANGOLA STILL NEED TO FINANCE?
SOME EXAMPLES:

ACCESS TO ELECTRICITY FOR 57% OF THE POPULATION
ACCESS TO DRINKING WATER FOR 44% OF THE POPULATION
ACCESS TO INTERNET FOR 73% OF THE POPULATION
IMPROVING PORT INFRASTRUCTURE BY 41% TO REACH CHINESE LEVELS



Angola's economy – and by extension its fiscal position - is heavily reliant on exports of oil, which account for two thirds of government revenue and 95% of all exports.²¹ Furthermore, as illustrated above, it is clear that Angola has significant financing needs in order to meet key needs for the population, which are unlikely to be met through domestic financing alone. A recent collapse in the oil price has exacerbated vulnerabilities in the Angolan economy and damaged external receipts.

Combined with a growing debt to GDP ratio and high borrowing costs – average interest rates in newly issued debt were 6.7% in 2018 – Angola may not have much room to accommodate any further economic shocks. A further currency depreciation or prolonged pandemic-induced recession could create significant challenges for Angola to service debt obligations or raise new finance to meet needs. Furthermore, its credit rating is ranked the third lowest within the countries this guide has analyses, rated junk status, meaning Angola would not be able to access the financial markets through issuing its own Eurobonds.

ANGOLA

The COVID19 Impact

The COVID19 pandemic and 2020 crash in oil price has interrupted the government's attempts to consolidate its debt stock. By September 2020, the Angolan government had spent \$67 million on Covid-19 mitigation strategies, equivalent to 0.1% of GDP. This included social assistance through a cash transfer programme aimed at reaching 1608000 people, 4.9% of the population.

African Development Bank forecasts a 'worst-case' fiscal deficit of 9.7% in 2020 and 6.2% in 2021, bringing into question the sustainability of Angola's growing debt. Earlier in 2020 Fitch downgraded Angola's government bonds to CCC – the equivalent of junk bonds – citing concerns over Angola's ability to continue servicing its debt (see later section on external debt stocks).²²

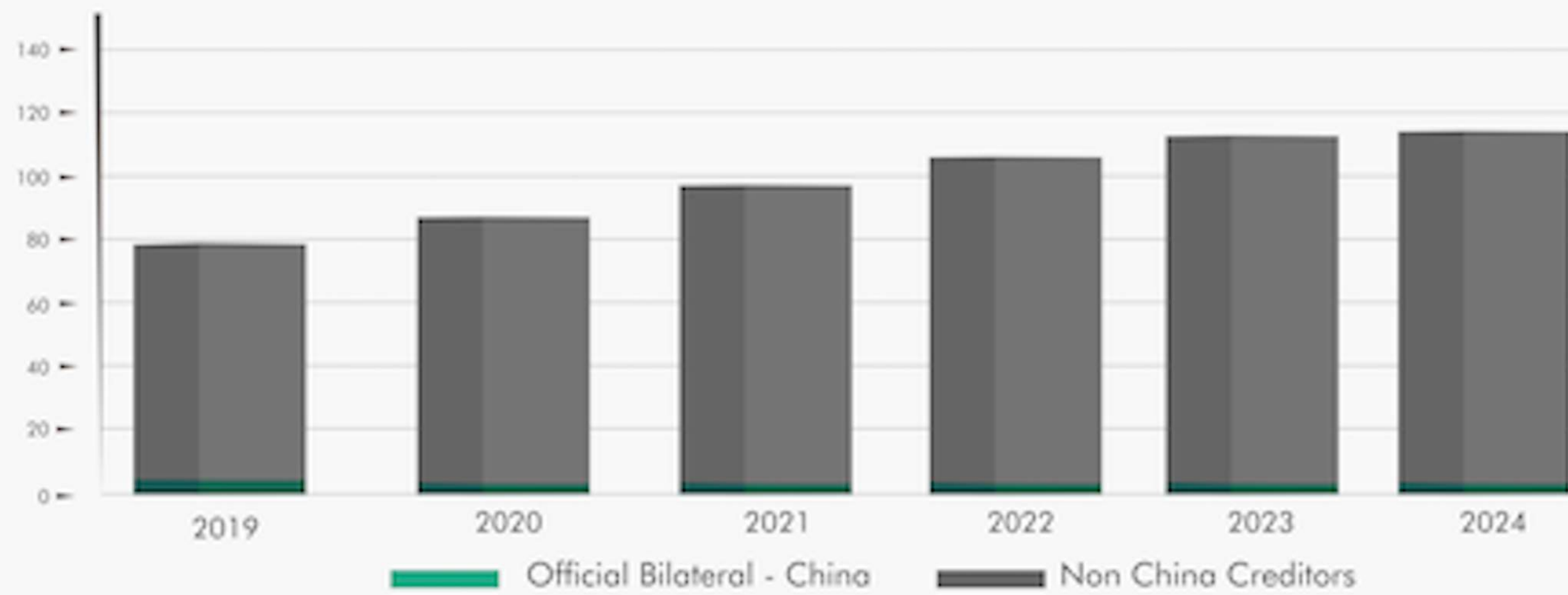
The IMF has, nevertheless, as recently as 2019 insisted Angola's debt situation was sustainable, despite a higher debt to GDP ratio than any other African country. Angola has requested from the IMF upwards of \$2.5 billion in support through its Extended Fund Facility²³ – a medium term loan to help Angola implement structural policy changes - over the past three years at an interest rate of 3%.²⁴ The Jubilee debt campaign, on the other hand, has labelled Angola as being in the midst of a debt crisis in 2020.

On 1st June 2020 Angola announced its intention to participate in the G20's debt service suspension initiative (DSSI), and after some negotiations Angola's official bilateral donors within the G20 – including China – have agreed to provide Angola with a suspension of debt service totalling \$1.8 billion²⁵ until the end of 2020. Meanwhile some of Angola's commercial Chinese creditors have agreed on a payment moratorium for Angola, which will provide additional cashflow savings, and by the end of 2020 there were reports of significant restructuring of Chinese debt, although details were unclear.²⁶

CABO VERDE

COUNTRY OVERVIEW

PROJECTED DEBT SERVICE TO CHINA VS. OTHER CREDITORS (USD MILLIONS)



CABO VERDE DEBT TO GDP RATIOS



SHORT-TERM EXTERNAL DEBT

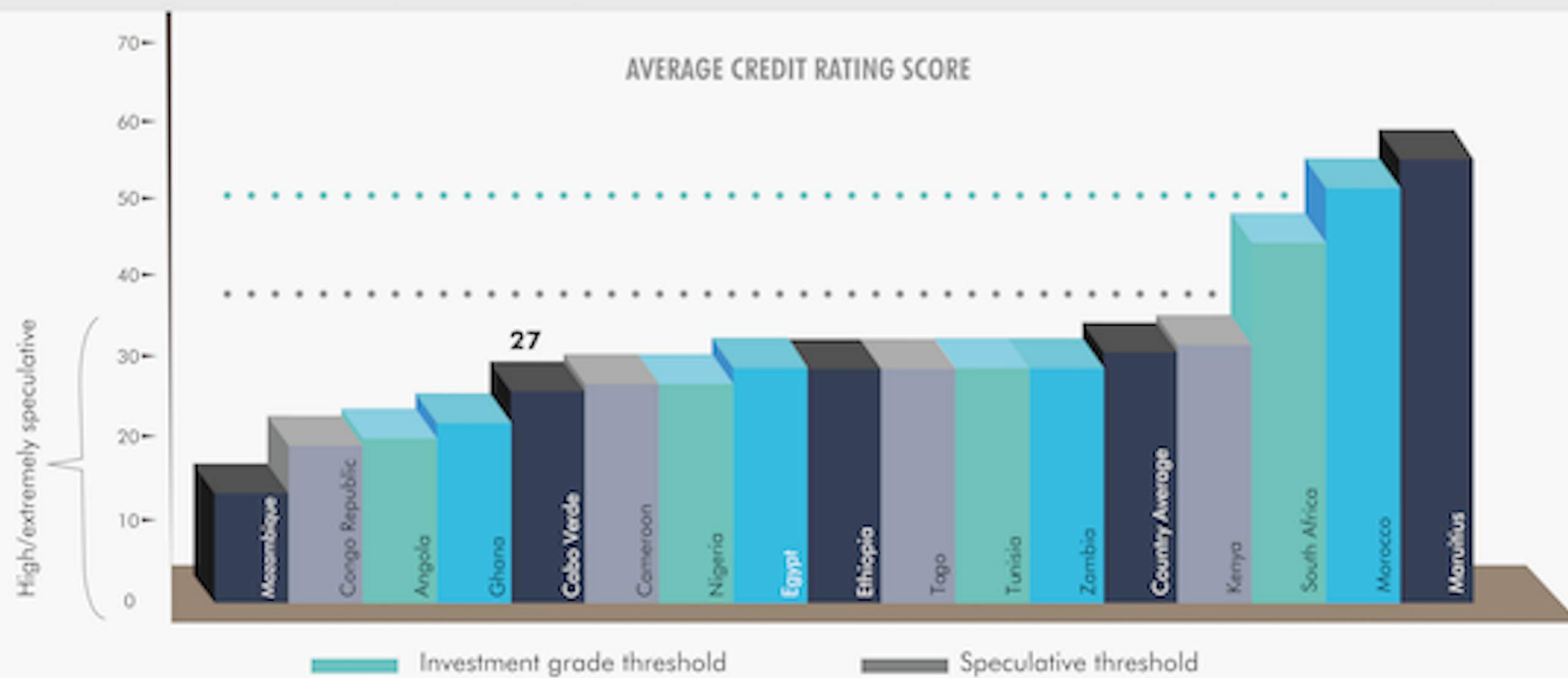


LONG-TERM EXTERNAL DEBT

PRIVATE SECTOR (0%)

PUBLIC SECTOR (100%)

AVERAGE CREDIT RATING SCORE



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? **Yes**
Has ratified Africa Continental Free Trade Agreement? **NO**

CABO VERDE

Debt History

Until the late 2000s, Cabo Verde's fiscal position was relatively stable, and Cabo Verde was never part of the HPIC initiative. Although Cabo Verde announced that it received one debt cancellation from China over the period 2000-2018, the amount was unclear.

CABO VERDE IN 2021

5.5% economic growth

137.6% public debt to GDP ratio

-4.1% budget balance

4.5 / 8 DR's Debt Transparency Index

By 2008 Cabo Verde's public debt to GDP was 58%, the budget deficit was just 1.6% of GDP and its outward oriented economy was the beneficiary of considerable FDI in tourism and high levels of remittances the economy. However, despite becoming only the second country in the world to graduate from least developed status in 2007 as defined by the United Nations,²⁷ Cabo Verde soon ran into difficulty due to the 2008 Financial crisis, especially the Eurozone debt crisis.

With tourism accounting for 21% of GDP as well as a high dependence on remittance funds, Cabo Verde is not well insulated from global crises, particularly given its relative proximity to Europe.²⁸ Following the global economic downturn, Cabo Verde's average economic growth rate from 2009 to 2015 fell to 1.1%, compared to 7.6% the decade previous. Alongside growth in public investment as well as subsidies for state-owned enterprises (SOEs) in certain key public sectors, the slow pace of economic recovery led to an accumulation of public debt, rising above 120% of GDP – one of the highest in the world – while the country's external debt stock clocked in at 87.8% of GDP by 2018.²⁹

Even as the average economic growth rate more than quadrupled to 4.8% in 2016-2019, debt sustainability remained at risk due to the depreciation of the escudo against the US dollar and inefficiencies in the state owned utilities sector.³⁰ As a consequence, the government has had to devote a larger share of its expenditure to service its debt, with debt interest doubling from 4% of government spending in 2011 to 8% in 2017, reducing funds available for infrastructure investment and socio-economic development in relative terms.

The country's fiscal balance has improved in recent years, with the deficit narrowing from 10.3% of GDP in 2012 to 1.8% in 2019. This was achieved by changing the structure of Cabo Verde's means for tax collection and tax spending. Some of the key interventions have included better detection of tax evasion and fraud; privatizing and restructuring 23 SOEs as well as improving transparency in the Ministry of Finance.³¹ The types of projects Cabo Verde has initiated with loans from China and the World Bank are shown below, as a means of illustration.

CABO VERDE

Cabo Verde



SUSTAINABLE DEVELOPMENT GOALS



THE WORLD BANK

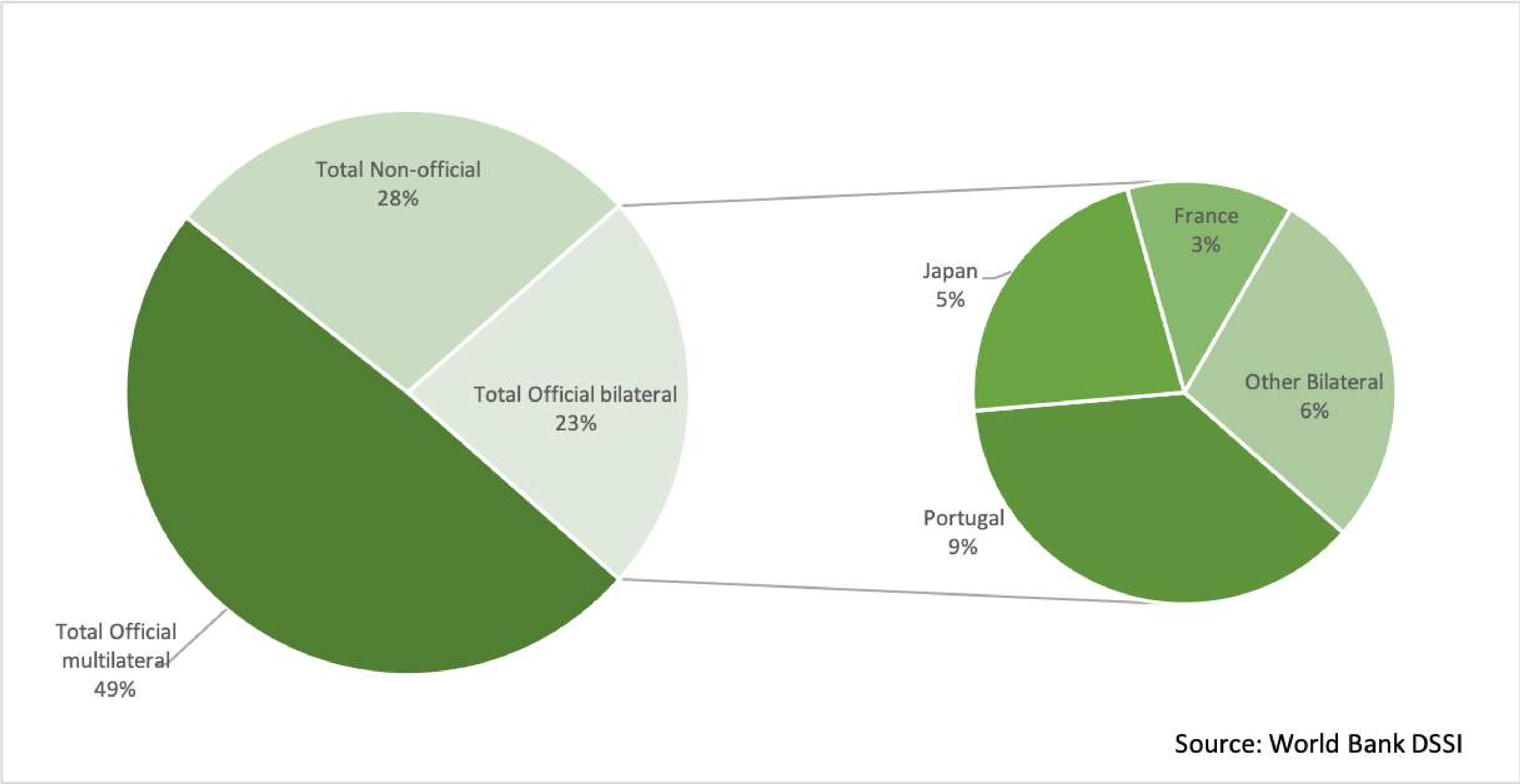
Project Name	\$ million	SDGs
E-government Phase II Additional Loan (2017)	13	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
E-government Phase I - National Data Center (2010)	17	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Container Scanners Purchase - 13 Units (2008)	13	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Project Name	\$ million	SDGs
Cabo Verde Second State-Owned Enterprises Reform and Fiscal Management Development Policy Financing (2020)	25	8 DECENT WORK AND ECONOMIC GROWTH
Cabo Verde DPO (2019)	40	8 DECENT WORK AND ECONOMIC GROWTH
Social Inclusion Project (2018)	10	8 DECENT WORK AND ECONOMIC GROWTH

Chinese Debt Exposure

Chinese debt does not represent a substantial share of Cabo Verde’s external debt stock. It has significantly closer ties to Western Europe. In particular, Portugal is the largest bilateral creditor owing to Cabo Verde’s history as a former Portuguese colony. Cabo Verde is not resource-rich and is therefore not suitable for any resource-backed loans (RBLs) with China. However, Cabo Verde has turned to China for more loans over time, representing 4.6% of Cabo Verde’s total external debt stocks in 2017 compared to just 1.0% in 2005. This is primarily because of large loans from China in 2006 and again in 2012, though in other years the growth of overall debt outpaces that of Chinese debt. Chinese investment tends to be focused on Cabo Verde’s important tourism sector as well as infrastructure, including a \$275-million casino as well as airport scanners and e-government projects since 2017.³² Proportionally, servicing Chinese debt does not present a major challenge for Cabo Verde as it represented just 3.3% of total servicing costs in 2019.

Figure 2: Breakdown of Cabo Verde’s debt stocks



Source: World Bank DSSI

CABO VERDE

Current Financing Challenges

WHAT DOES CABO VERDE STILL NEED TO FINANCE?
SOME EXAMPLES:

ACCESS TO ELECTRICITY FOR 6% OF THE POPULATION
ACCESS TO DRINKING WATER FOR 13% OF THE POPULATION
ACCESS TO INTERNET FOR 37% OF THE POPULATION
IMPROVING PORT INFRASTRUCTURE BY 22% TO REACH CHINESE LEVELS



As illustrated above, Cabo Verde has some financing needs in order to meet key needs for its population, such as internet access, which may not be met through domestic financing alone. However, despite Cabo Verde's high level of public debt, the country ranks relatively favourably among African countries in terms of external assessments of its debt vulnerability. Prior to the pandemic, and as noted earlier, the IMF did not express concerns regarding its debt level as the country enjoyed concessional terms on its external public debt from creditors such as the World Bank and AfDB as well as a long maturity profile and low interest rates.³³ However, the IMF by the end of 2020 revised its forecast to at high risk of debt distress, and the Jubilee debt campaign predicts a debt crisis in 2020.

Even as it faces heightened vulnerability amid the pandemic, the IMF expects the country's post-crisis performance to be promising in the medium run. Contingent on global economic recovery, the end of shocks to tourism and capital flows as well as the effective implementation of Cabo Verde's 2017-2021 development strategy for economic diversification, the country should expect GDP growth to rise to 5.5% in 2021 while its fiscal deficit could almost halve to 4.7% of GDP relative to the projection for 2020. This could help protect Cabo Verde's credit worthiness in order to meet future financing needs.

The COVID19 Impact

COVID-19 has threatened – and somewhat confused – the West African island nation's debt profile. With a sharp drop in foreign exchange foreseen due to steep declines in tourism arrivals and remittances amid the pandemic, GDP is expected to contract by 4% in 2020. By September 2020, the Cabo Verde government had budgeted a total of \$61 million (3.1% of GDP) on Covid-19 mitigation. Social assistance programmes included cash transfers to families and workers and food assistance to vulnerable households. These were intended to reach over 150,000 people across the country, 28% of the total population. Cabo Verde also deferred tax payments until December 2020, provided credit support for private businesses and financial assistance totalling €2.7 million for informal workers.³⁴

As a result, Cabo Verde may see its fiscal deficit worsen to 9.2% of GDP in 2020, according to the African Development Bank's (AfDB) 'worst-case' forecast. However, in terms of its credit worthiness, Fitch downgraded Cabo Verde's credit rating from 'B' to 'B-' in April 2020 – which is below investment grade and highly speculative but it nevertheless suggests an ability to meet current financial commitments assuming no major economic shocks – while the outlook is stable.³⁵

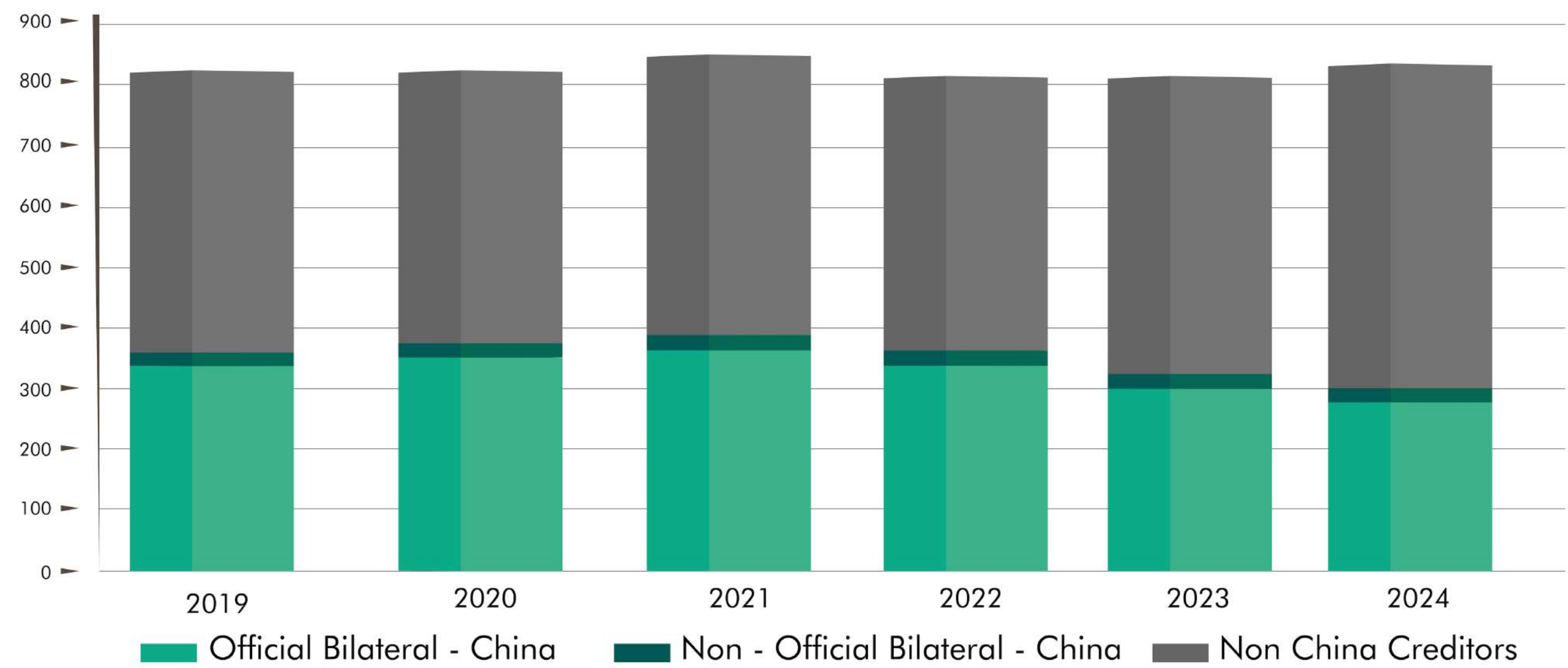
Cabo Verde participated in the G20's Debt Suspension Initiative (DSSI), which would allow the country to receive debt service suspension totalling \$18 million³⁶ by its official bilateral creditors – including China – by the end of 2020. In April 2020, Cabo Verde requested \$32.3 million in loans from the IMF under the interest-free Rapid Credit Facility (RCF) program.³⁷ The RCF provides the country with foreign exchange and budget support to cover about 15% of Cabo Verde's balance of payments needs, and has a 5.5 year grace period, but will need to be fully repaid (interest free) within 10 years.³⁸

CAMEROON

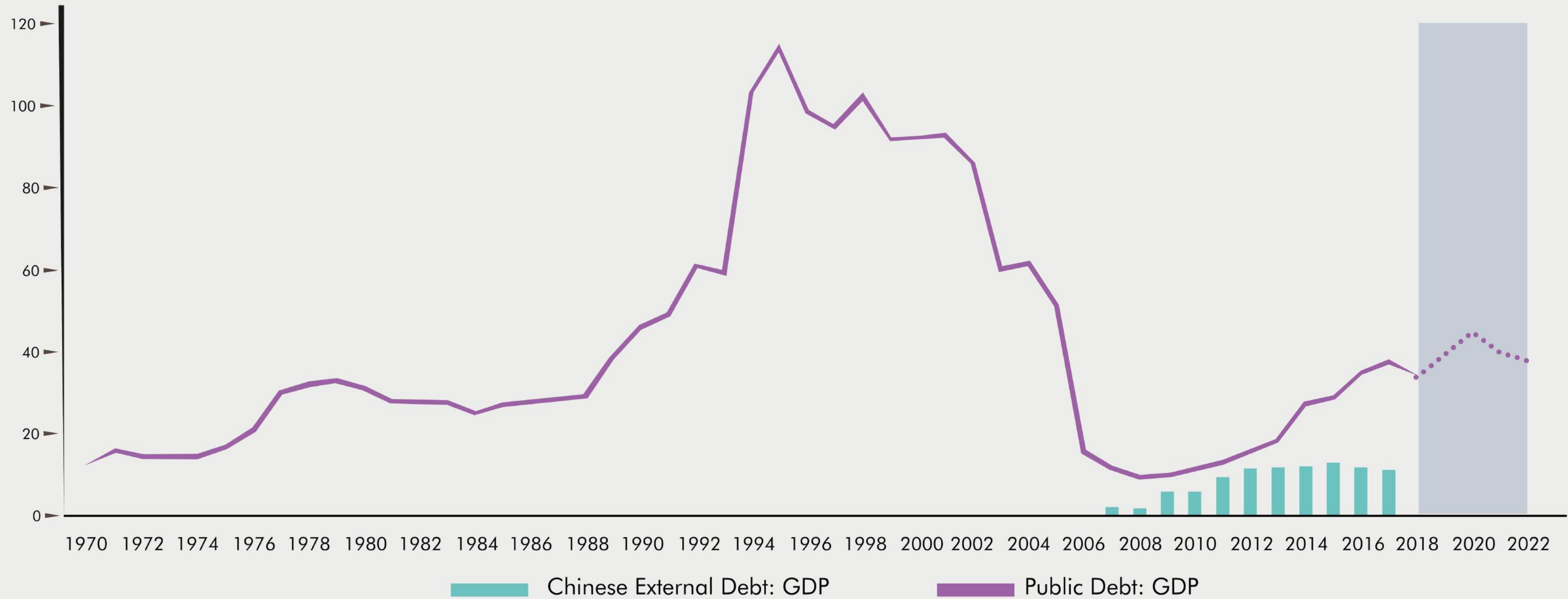
COUNTRY OVERVIEW



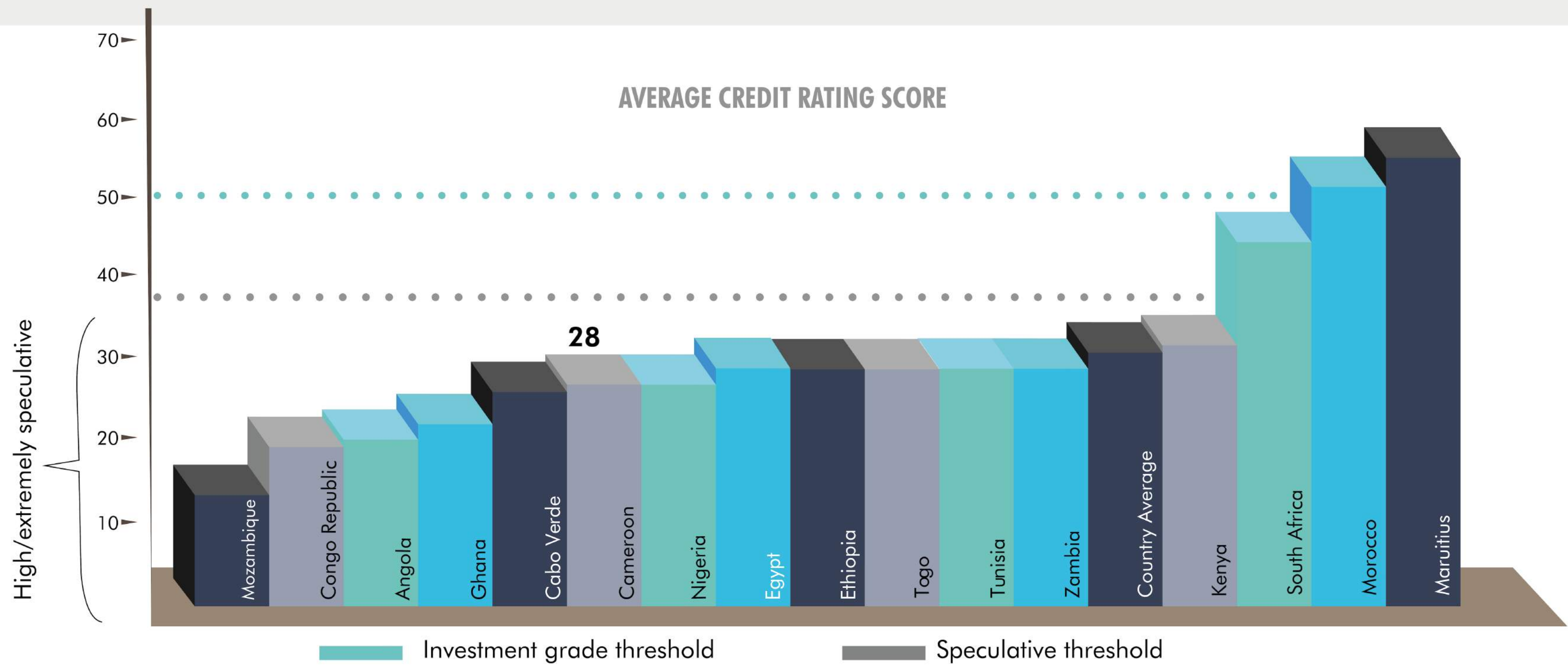
PROJECTED DEBT SERVICE TO CHINA VS. OTHER CREDITORS (USD MILLIONS)



CAMEROON DEBT TO GDP RATIOS



AVERAGE CREDIT RATING SCORE



SHORT-TERM EXTERNAL DEBT



LONG-TERM EXTERNAL DEBT

PRIVATE SECTOR (7%)

PUBLIC SECTOR (93%)



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? **Yes**
Has ratified Africa Continental Free Trade Agreement? **Yes**

CAMEROON

Debt History

Cameroon suffered from high debt costs in the 1980s and early 1990s. Higher interest rates from the oil price shock in the late 1970s made borrowing for large infrastructure projects costly, and was combined with inefficient government spending and a collapse in export prices. This led Cameroon's debt to GDP ratio to rise to a high point of 114% by 1995. However, a series of structural changes to Cameroon's economy, advised by multilateral institutions, along with debt cancellation by various development partners – helped stabilise Cameroon's debt situation.^{39 40}

CAMEROON IN 2021

4.1% economic growth

45% public debt to GDP ratio

-3.3% budget balance

3.5 / 8 DR's Debt Transparency Index

In the 2010s, Cameroon enjoyed an average economic growth rate of 4.5% due to improvements in the services sector as well as higher consumption and investment.⁴¹ However, amid falling oil prices and security issues, the oil-producing country has experienced rising levels of public debt over time, more than doubling from 15.1% of GDP in 2011 to 34% by 2018 in line with key infrastructure and pro-poor projects. There was also a six-fold increase in the fiscal deficit from 1.0% of GDP in 2010 to 6.1% in 2016, though the country later oversaw a deficit reduction to 2.3% in 2019. This is because of efforts to broaden the revenue base, manage tax exemptions, improve tax administration and address tax evasion.⁴²

\$1.2 billion committed debt relief
through HIPCI

\$6 million Chinese debt relief

\$51 million UK debt relief

\$19 million USA debt relief

The largest threats to Cameroon's growth are internal and regional. Long seen as an oasis of stability in conflict-ridden Central Africa, Cameroon now faces security risks on multiple fronts.⁴³ The terrorist activities of Boko Haram in the border regions as well as secessionist movements in the English-speaking regions of the largely Francophone country have stifled infrastructure growth, putting pressure on the national fiscal capacity.⁴⁴

Another challenge is the large stock of undisbursed loans, accounting for 23% of GDP in 2017. This is due to inefficiencies and delays in the implementation of projects as well as the presence of non-performing projects, which may hurt the confidence of creditors if left unabated.⁴⁵ Nevertheless, as far as disbursed loans are concerned, the Cameroonian government is not overburdened with interest payments, which took up only 4% of state expenditure in 2017. This is in part due to the fact that Cameroon has negotiated low average interest rates on its new external debt commitments, and has a substantial share of grants in its loan portfolio, accounting for nearly a third of all new loans. Data on loans and in debt and fiscal space in general was limited due to time lags and limited accessibility through the government's data portals. However, instrument coverage and debt management strategies are fully transparent, leaving Cameroon mid-range in the reports Debt Transparency Index. The types of projects Cameroon has initiated with loans from China and the World Bank are shown below, as a means of illustration.

CAMEROON

Cameroon



THE WORLD BANK

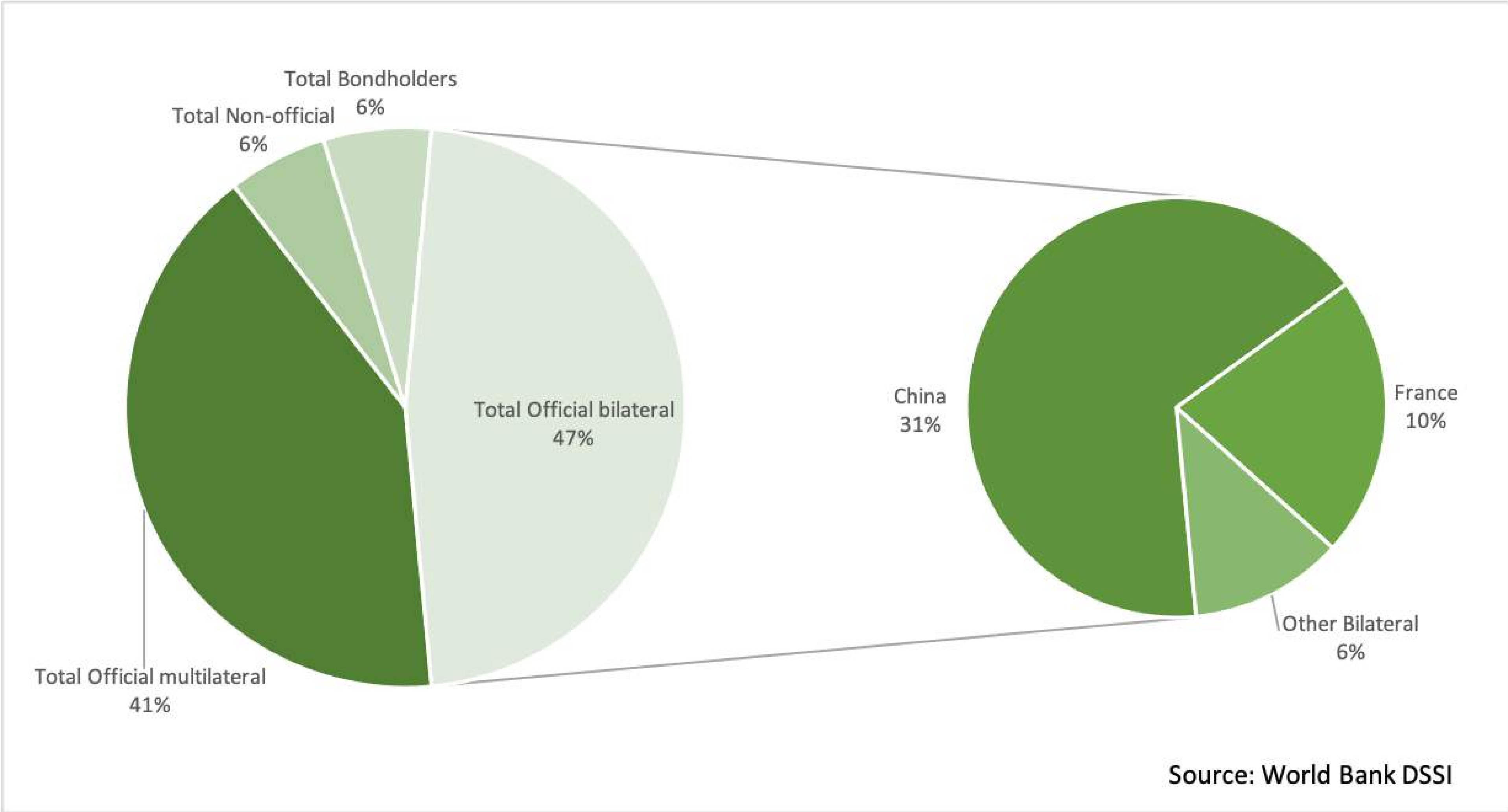
Project Name	\$ million	SDGs
National Extension Intelligent Urban Video Surveillance System; Phase I (2017)	40	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Potable Water Supply Projects in 9 Towns: Phase II (2010)	86	6 CLEAN WATER AND SANITATION
Photovoltaic System; Electrification of 350 Communities; Phase II (2008)	123	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Project Name	\$ million	SDGs
Valorization of Investments in the Valley of the Benue (2020)	200	2 ZERO HUNGER
Secondary Education and Skills Development Project (2020)	125	4 QUALITY EDUCATION
Second Fiscal Consolidation and Inclusive Growth DPF (2019)	200	8 DECENT WORK AND ECONOMIC GROWTH

Chinese Debt Exposure

China – both through “official” and “non-official loans, is the largest individual financier of Cameroon, accounting for almost 40% of Cameroon’s external debt stocks and total debt servicing costs. Cameroon borrowed almost \$1 billion from China to finance the Kribi port, and \$678 million for a water supply project from the Sanaga river.⁴⁶ In early 2019, the Chinese government wrote off the interest-free inter-government debt that Cameroon had not paid to China, totalling about \$78.4 million.⁴⁷

Figure 3: Breakdown of Cameroon’s debt stocks



CAMEROON

Current Financing Challenges

WHAT DOES CAMEROON STILL NEED TO FINANCE?
SOME EXAMPLES:

ACCESS TO ELECTRICITY FOR 37% OF THE POPULATION
ACCESS TO DRINKING WATER FOR 40% OF THE POPULATION
ACCESS TO INTERNET FOR 70% OF THE POPULATION
IMPROVING PORT INFRASTRUCTURE BY 33% TO REACH CHINESE LEVELS
IMPROVING ROAD INFRASTRUCTURE BY 20% TO REACH CHINESE LEVELS



As illustrated above, Cameroon has significant financing needs in order to meet key needs for the population to achieve poverty reduction, in particular internet access, but also access to water and electricity, which may not be met through domestic financing alone. Cameroon does not have a high level of public debt, but the rapid pace of debt growth has raised concerns about vulnerability, compounded by abovementioned political challenges and uncertainty. In the IMF's debt sustainability analysis, the IMF maintains that Cameroon has sufficient capacity to monitor and manage public debt, though there is room for improvement in terms of coordination between the Ministry of Finance and the National Public Debt Committee. Nevertheless, the IMF says that Cameroon faces a high risk of debt distress, with the Jubilee debt campaign predicting a debt crisis in 2020, highlighting vulnerabilities in Cameroon's ability to fulfil debt obligations.

Economic growth is expected to return to Cameroon in 2021 at a rate of 4.1% assuming global economic recovery. However, should prices of key raw material exports (such as oil and wood) continue to fall, the balance of payments may experience a longer and deeper shock, particularly as many principal repayments on Cameroon's borrowings are due in 2022-2025.⁴⁸ In terms of its credit worthiness, Fitch maintained Cameroon's credit rating at 'B' in April 2020 – which is below investment grade and highly speculative but suggests an ability to meet current financial commitments assuming no major economic shocks – though the outlook is negative.⁴⁹

The COVID19 Impact

The Cameroonian government is making efforts to provide social and economic buffers to citizens and higher pensions as well as certain tax exemptions.⁵⁰ Overall, Cameroon has budgeted \$310 million on Covid-19 mitigation by September 2020. Social assistance included extra support to households receiving Family Allowance, who benefited from a 55% increase in payments. In 2018, this programme reached 200,000 children, 0.8% of the population.

However, though the COVID-19 pandemic has taken its toll on the economy, with GDP growth forecast at -1.2% while the fiscal deficit could nearly double to 4.3% of GDP in 2020, the effects are not expected to be severe. This is because Cameroon has a moderately diversified economy, which is not heavily dependent on tourism, remittances or a single commodity. Indeed, prior to the pandemic, tourist receipts represented less than 10% of total exports while the sum of its trade with China, the US and Europe stood at less than 20% of GDP.⁵¹ Despite being an oil exporter, Cameroon is not overly reliant on crude petroleum for foreign exchange, making up about 35% of the country's export value, though fluctuating oil prices continue to influence terms of trade.⁵² Cameroon is therefore in a better position to weather the storm than undiversified oil-exporting nations, such as Angola and Congo, which are likely to suffer from a balance of payments crisis – a situation in which a government is unable to finance a deficit caused by a deterioration in the value of exports relative to imports – as oil is responsible for over 90% of their export revenue.

CAMEROON

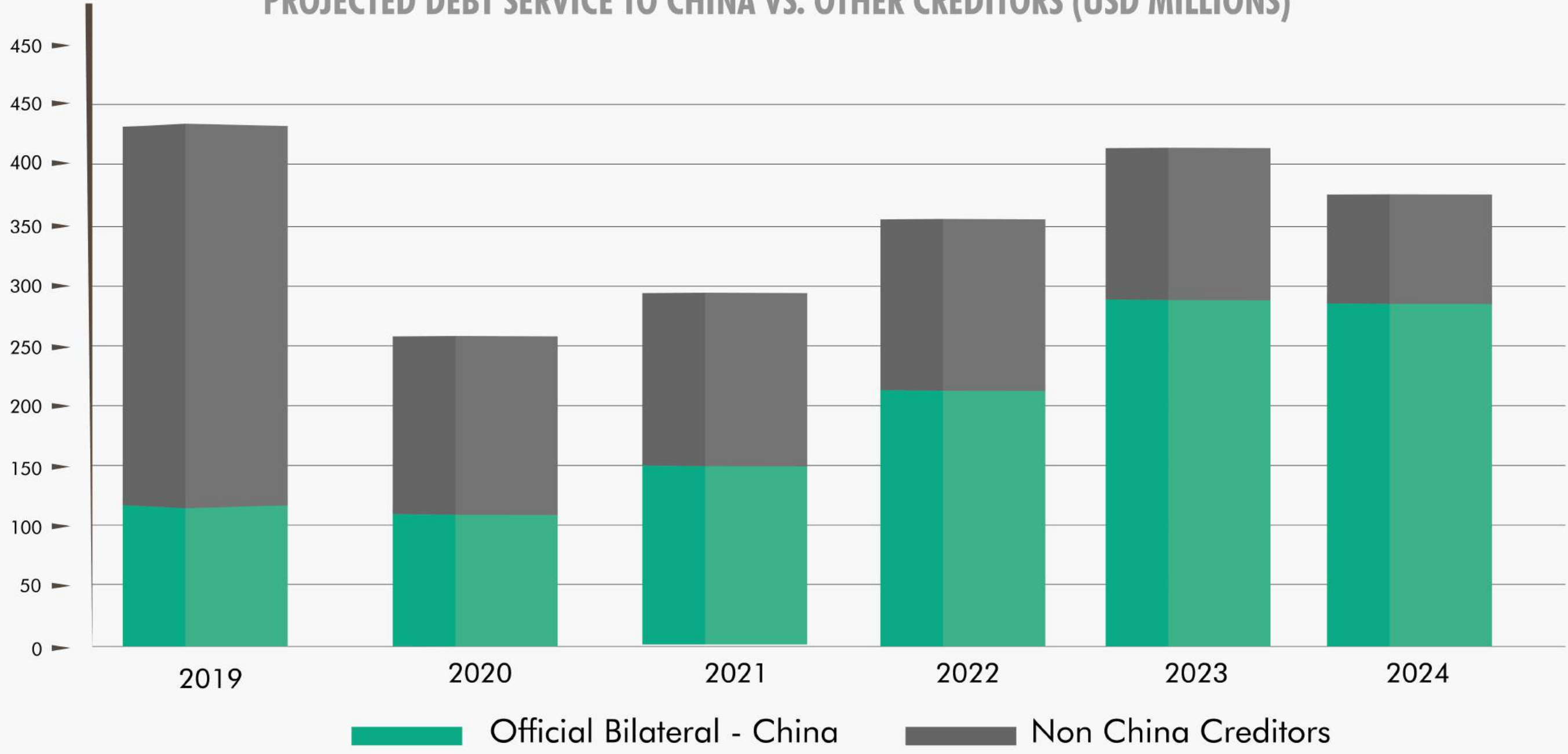
To help fund COVID19 recovery, Cameroon is participating in the G20's Debt Suspension Initiative (DSSI), which would allow the country to receive debt service suspension by its official bilateral creditors – including China – totalling \$337 million by the end of 2020. In May 2020, the Cameroon government also took a \$226 million worth loan from the IMF under the interest-free Rapid Credit Facility (RCF) to mitigate the effects of COVID-19.⁵³ The RCF involves budget support intended to cover about a third of Cameroon's pandemic-induced financing needs.⁵⁴

CONGO

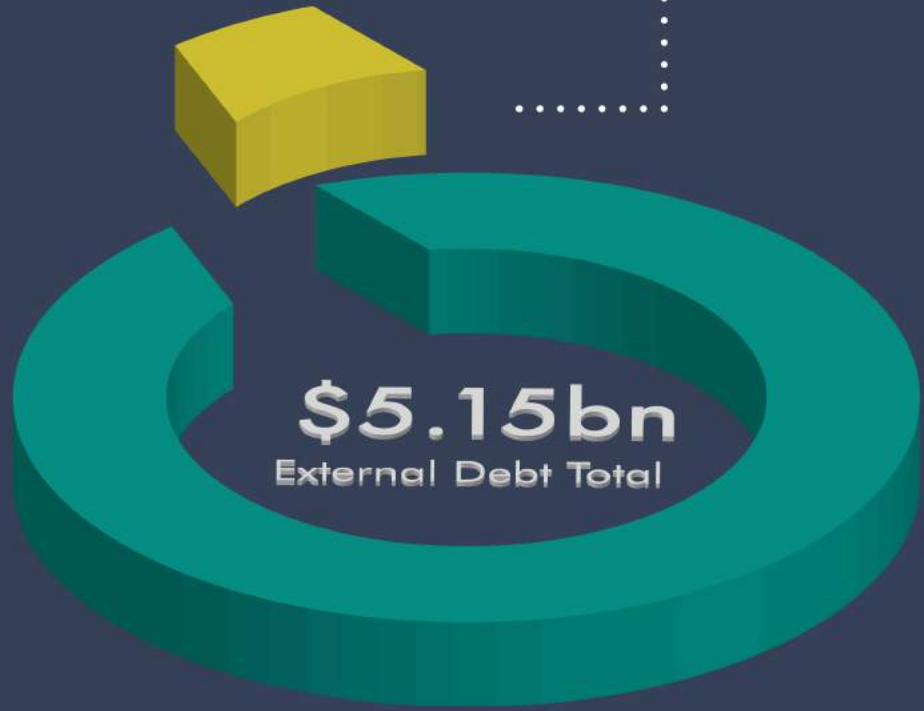
COUNTRY OVERVIEW



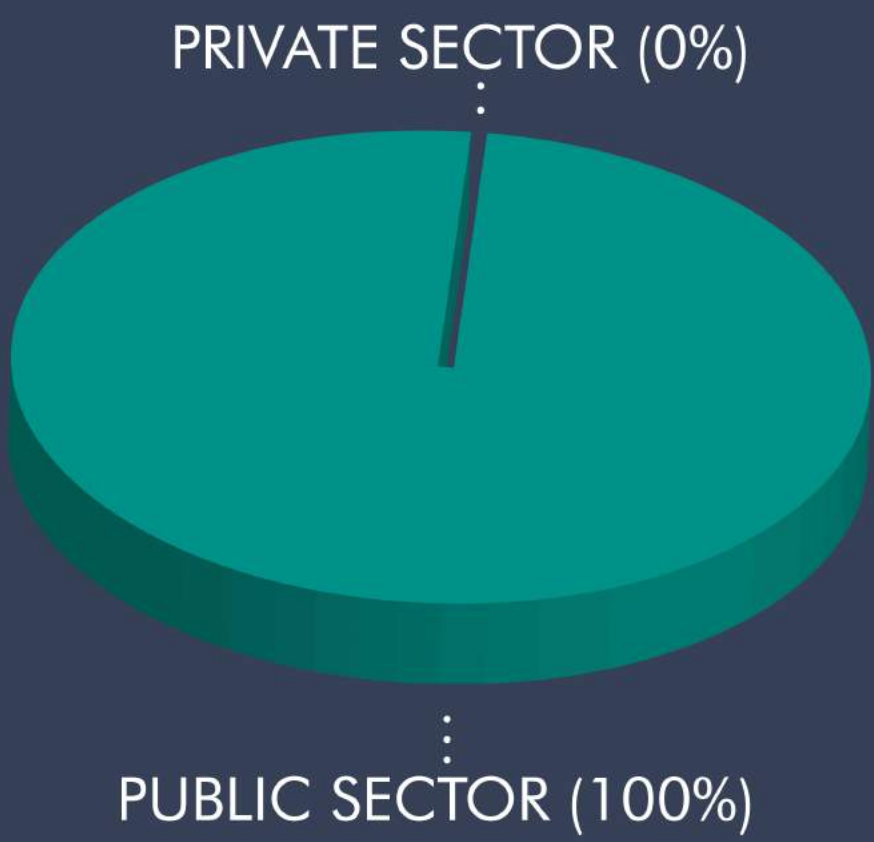
PROJECTED DEBT SERVICE TO CHINA VS. OTHER CREDITORS (USD MILLIONS)



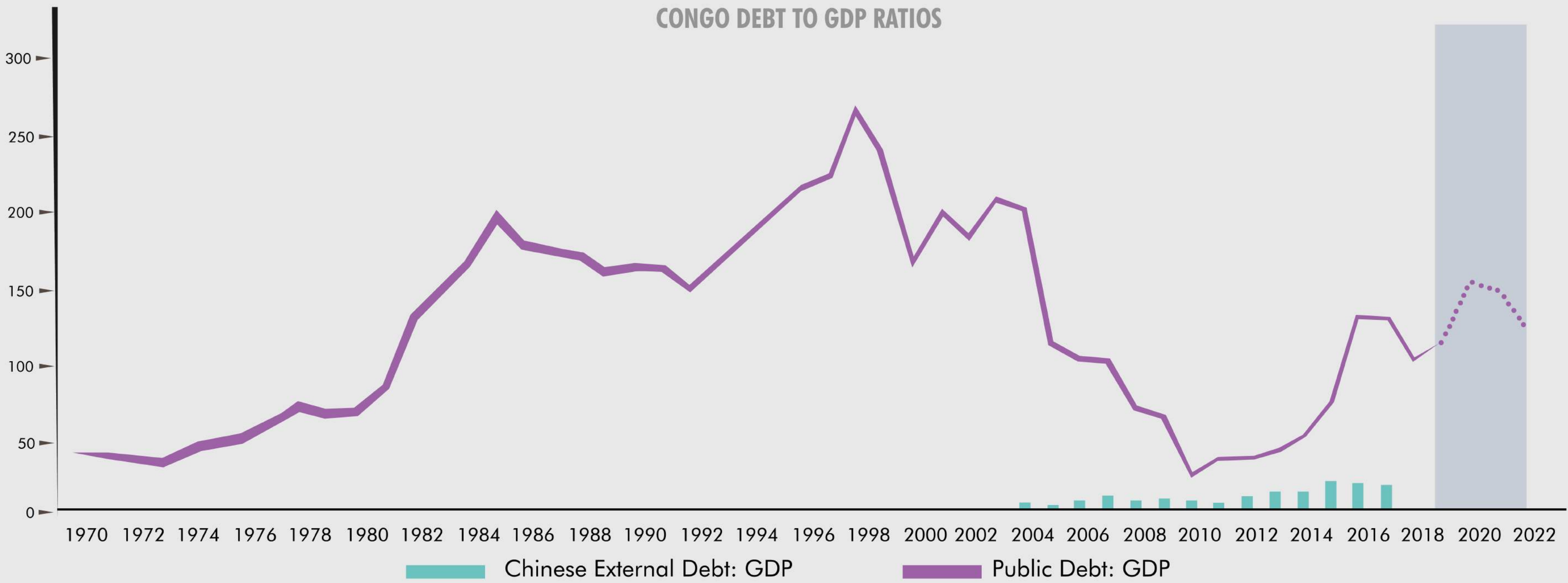
SHORT-TERM EXTERNAL DEBT



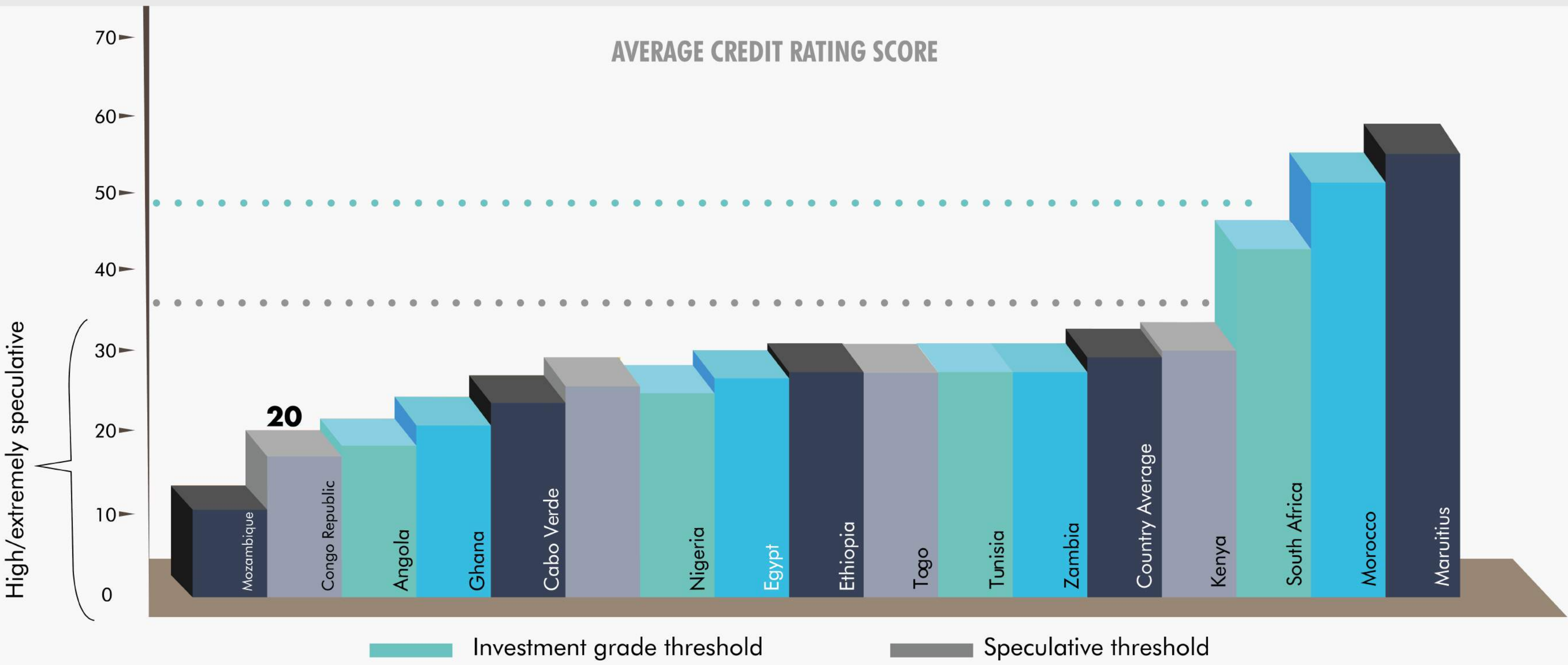
LONG-TERM EXTERNAL DEBT



CONGO DEBT TO GDP RATIOS



AVERAGE CREDIT RATING SCORE



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? **Yes**
Has ratified Africa Continental Free Trade Agreement? **Yes**

REPUBLIC OF CONGO

Debt History

Once classified as a lower-middle-income economy, a combination of currency crises, institutional weaknesses/ widespread corruption and successive rounds of civil wars have devastated the economy and subsequent standard of living of its citizens. Income per capita in Congo was higher in 1984 than it is today.

REPUBLIC OF CONGO IN 2021

3.4%	economic growth
98.4%	public debt to GDP ratio
1.8%	budget balance
2 / 8	DR's Debt Transparency Index

Public debt peaked at 264% of GDP in 1998, and remained above 100% of GDP until 2005, when the country successfully requested debt relief from a number of creditors. However, since 2015 Congo has been in a weak fiscal position due to an economic crisis triggered by falling oil prices, with average GDP growth at -0.26% annually.⁵⁵ Debt levels have rebounded and the country is in debt distress according to the IMF: public debt stood at 98.5% of GDP in 2018, more than doubling from 45.1% in 2012. This was due in part to the credit acquired to fund investment projects and increase salaries in the public sector.⁵⁶

In early 2020, Global Witness uncovered oil company Société Nationale des Pétroles du Congo (SNPC) - Congo's largest state-owned enterprise - to hold \$2.7 billion in previously undisclosed liabilities to American and European oil companies, with a further \$606 million owed to a consortium of banks, including EcoBank a pan-African banking conglomerate.⁵⁷ This may lead to a further upward valuation in Congo's growing debt stock. Misreporting and lack of clarity over the country's debt position is reflected in this reports' Debt Transparency Index, where Congo scored the second lowest score amongst all countries analysed, lacking any effective debt strategy, debt management office, freedom of information laws or publication of government contracts.

Congo is an oil exporting nation with a relatively undiversified economy: crude petroleum makes up 85% of exports and 80% of tax revenue.⁵⁸ Therefore, the country's economic fate is closely tied to fluctuations in oil prices, which have been relatively low for the last few years. Indeed, loss of foreign exchange and other revenue sources was so severe in 2015 that Congo ran a fiscal deficit equal to 24.8% of GDP. However, by 2018, the Central African country managed to record a fiscal surplus of 6.6% of GDP thanks to recovering oil prices as well as reduced public budgets involving policy changes to governance and broader non-oil revenues.⁵⁹ This volatility is compounded by Congo's dependence on trade with China, the US and Europe, which collectively account for over 50% of GDP, suggesting lack of insulation from global developments.⁶⁰

\$1.8 billion committed debt relief
through HIPC

\$139 million Chinese debt relief

\$65 million UK debt relief

\$15 million USA debt relief

Though total external debt stock is moderate at 44.1% of GDP as of 2018, the Congolese government devotes a high share of revenue for debt servicing. At 11% of government expenditure in 2018, debt service exceeded healthcare expenditure in 2017 by over three-fold, representing a potentially high opportunity cost IF the projects being funded by loans are not helping raise citizen's standards of living or generating a return. There is therefore potential concern about the country's debt management and subsequent sustainability. The types of projects Congo has initiated with loans from China and the World Bank are shown below, as a means of illustration.

REPUBLIC OF CONGO

Congo Republic



SUSTAINABLE DEVELOPMENT GOALS



THE WORLD BANK

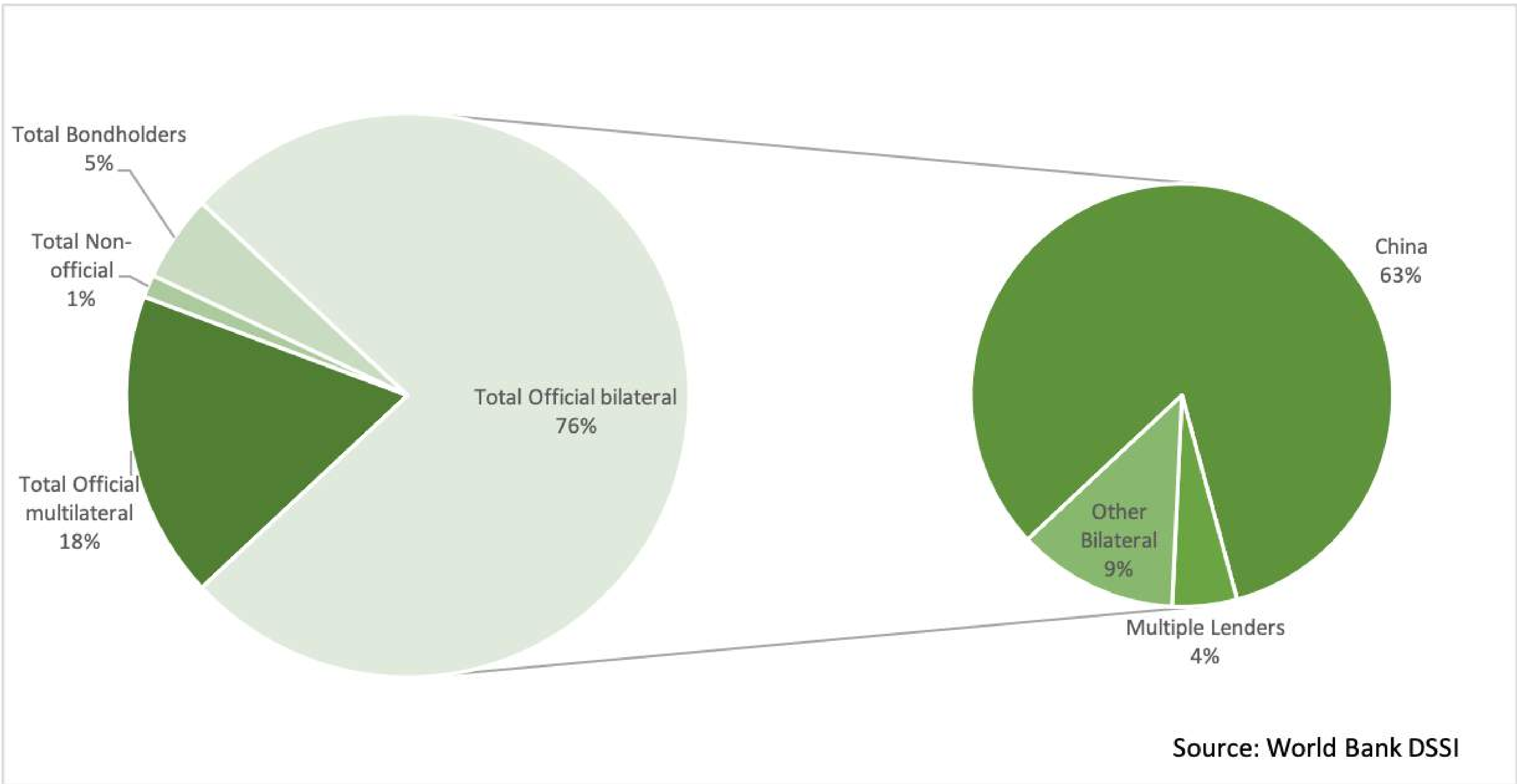
Project Name	\$ million	SDGs
Digital Television Migration (2017)	162	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
National Telecom Phase III (2017)	161	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Brazzaville Mall (2017)	502	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Project Name	\$ million	SDGs
Lisungi Safety Nets System Project II (2019)	22	3 GOOD HEALTH AND WELL-BEING
Support to Enterprise Development and Competitiveness Project (2018)	25	8 DECENT WORK AND ECONOMIC GROWTH
Statistics Capacity Building Project (Additional Financing) (2018)	25	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Chinese Debt Exposure

Chinese stakeholders have a considerable stake in Congo’s debt portfolio. As in Angola, oil-backed instruments often serve as collateral for Chinese credit.⁶¹As of 2020, the share of Chinese debt to total external debt stock is 45% while debt service to China is 43% of total debt service.⁶²Such loans are used primarily to finance construction projects, particularly highways. In recent years, Congo borrowed \$1.8 billion to construct a new highway linking the capital Brazzaville to the coast and a further \$537 million for a second highway.⁶³In 2019, China agreed to a debt restructuring totalling \$1.6 billion, providing new terms for eight of 24 Chinese loans to Congo.^{64 65}

Figure 4: Breakdown of Republic of Congo’s debt stocks



REPUBLIC OF CONGO

Current Financing Challenges

WHAT DOES CONGO STILL NEED TO FINANCE?
SOME EXAMPLES:

ACCESS TO ELECTRICITY FOR 31% OF THE POPULATION
ACCESS TO DRINKING WATER FOR 55% OF THE POPULATION
ACCESS TO INTERNET FOR 87% OF THE POPULATION
IMPROVING TRADE INFRASTRUCTURE BY 45% TO REACH CHINESE LEVELS
IMPROVING ROAD INFRASTRUCTURE BY 155% TO REACH CHINESE LEVELS



As is illustrated above, Congo has significant remaining financing needs in order to meet key needs for the population to achieve poverty reduction, in particular improving road infrastructure, as well as access to internet and water, much of which is unlikely to be met through domestic financing alone. However, Congo is classified by the IMF as having high debt vulnerability, which has worsened as a result of the pandemic, and the IMF now suggests Congo is in debt distress.⁶⁶ It has the second lowest credit rating across the twenty countries analysed in this report and is considered 'junk' status by all major credit rating agencies, likely to default. Though the fiscal balance varies from year to year depending on oil revenues, public debt has been close to or over 100% of GDP since 2016. Further, IMF stress tests have found that Congo's present value of public and publicly guaranteed debt-to-GDP is well above the 35% benchmark associated with vulnerability from 2018 to 2030 even in the baseline scenario, implying a weak debt carrying capacity.⁶⁷

Economic growth is expected to return to Congo in 2021 at a rate of 2.6% assuming global economic recovery. However, should oil prices remain low, the balance of payments may experience a longer and deeper shock. Congo will remain vulnerable to exogenous shocks as long as its economy is undiversified. Recognising this, the government has introduced the National Development Plan to increase the economic contribution of its agricultural, industrial and tourism sectors.⁶⁸

The COVID19 Impact

To respond to COVID19, by September 2020, the government in Congo had budgeted \$170 million (1.5% of GDP), created an emergency fund and a national solidarity fund to provide support for businesses and vulnerable people.⁶⁹ This included social assistance programmes providing cash transfers to 200,000 households. The government and their partners intended to reach 954,000 people (17.2% of the population) with Covid-19 social assistance.

This is because the COVID-19 pandemic has jeopardized Congo's slow recovery from its mid-2010s economic crisis. The African Development Bank forecasts GDP to contract by 9.1% in 2020 under its 'worst case' scenario as oil prices fall amid lower demand. Congo's budget is expected to go into deficit again, with a predicted fiscal balance of -11.2% for 2020 while public debt may climb to 150% of GDP amid likely terms of trade and balance of payments crises, the joint highest rate amongst countries analysed in this report.

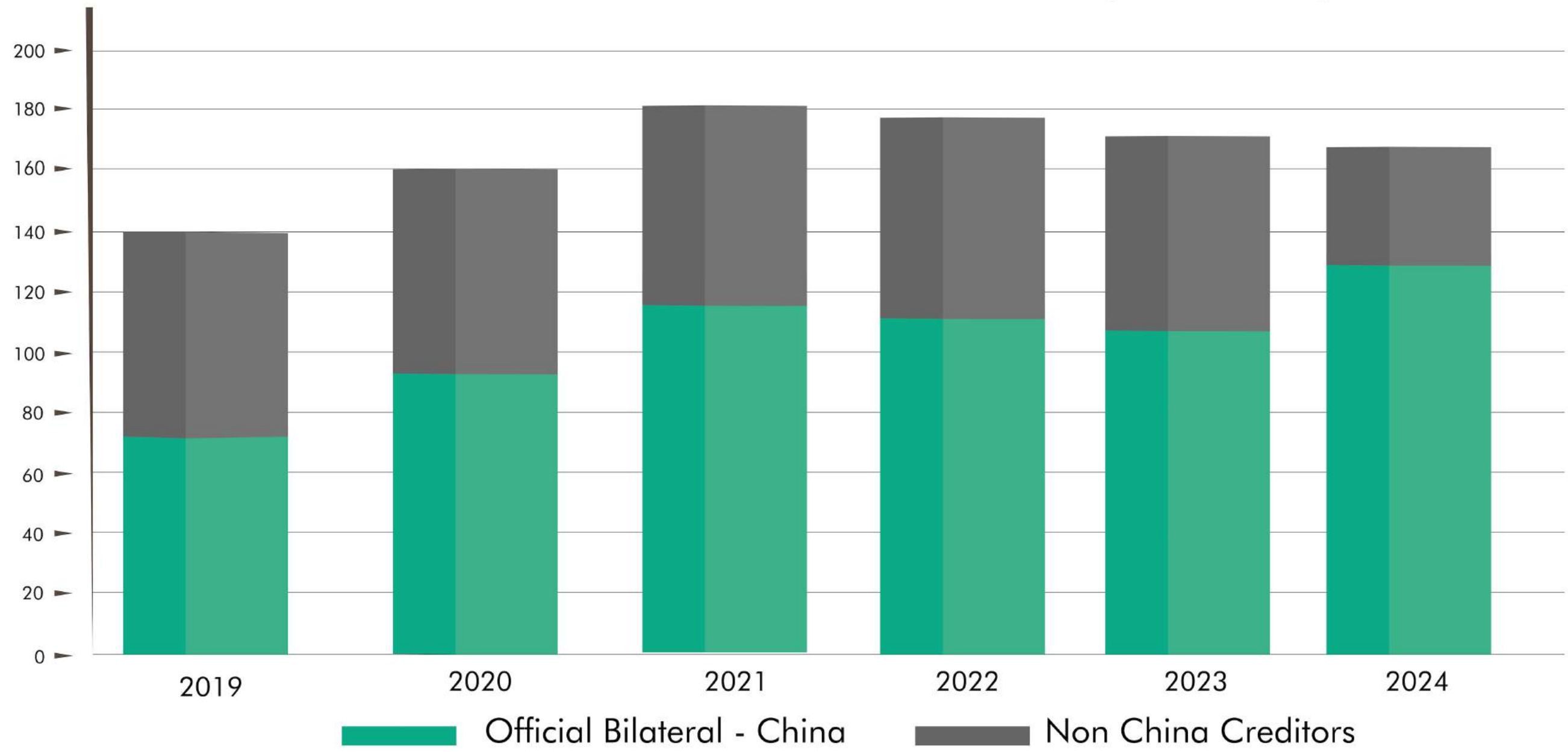
Thus, Congo has requested support under the G20's Debt Suspension Initiative (DSSI), which would allow the country to receive debt service suspension by its official bilateral creditors – including China – totalling \$181.8 million by the end of 2020. The Congolese government has also requested emergency assistance from the IMF as part of the interest-free Rapid Credit Facility to mitigate the effects of COVID-19. By December 2020, the IMF's board had not yet approved this due to the challenges the Congolese government faced in complying with the terms and conditions of another IMF loan disbursed a year ago.⁷⁰

DJIBOUTI

COUNTRY OVERVIEW



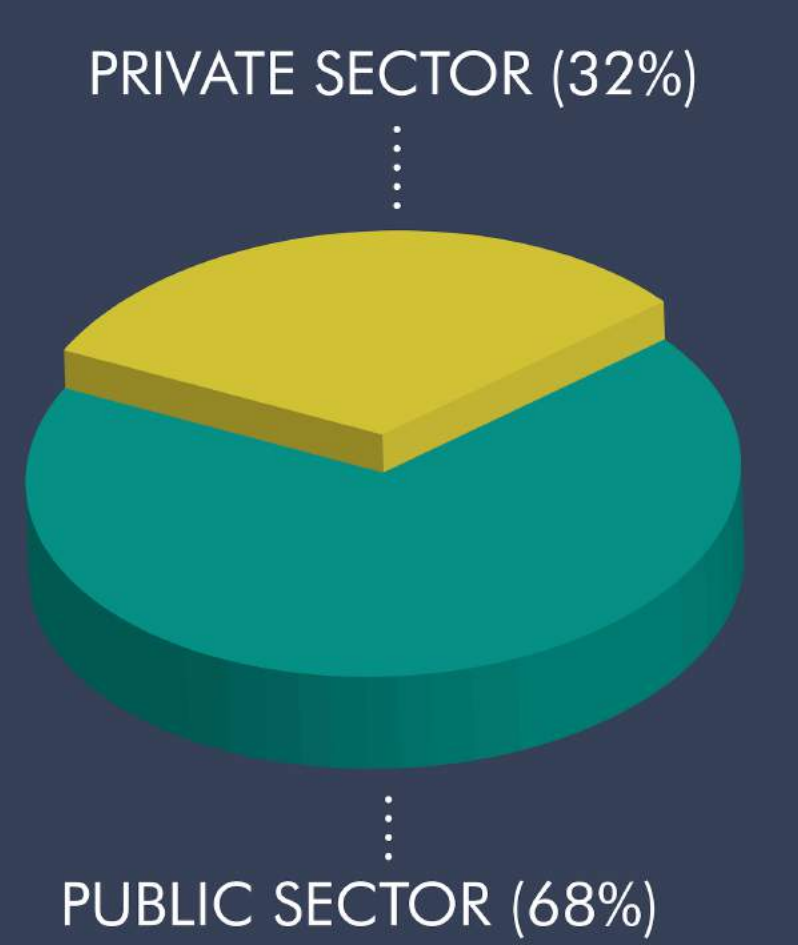
PROJECTED DEBT SERVICE TO CHINA VS. OTHER CREDITORS (USD MILLIONS)



SHORT-TERM EXTERNAL DEBT



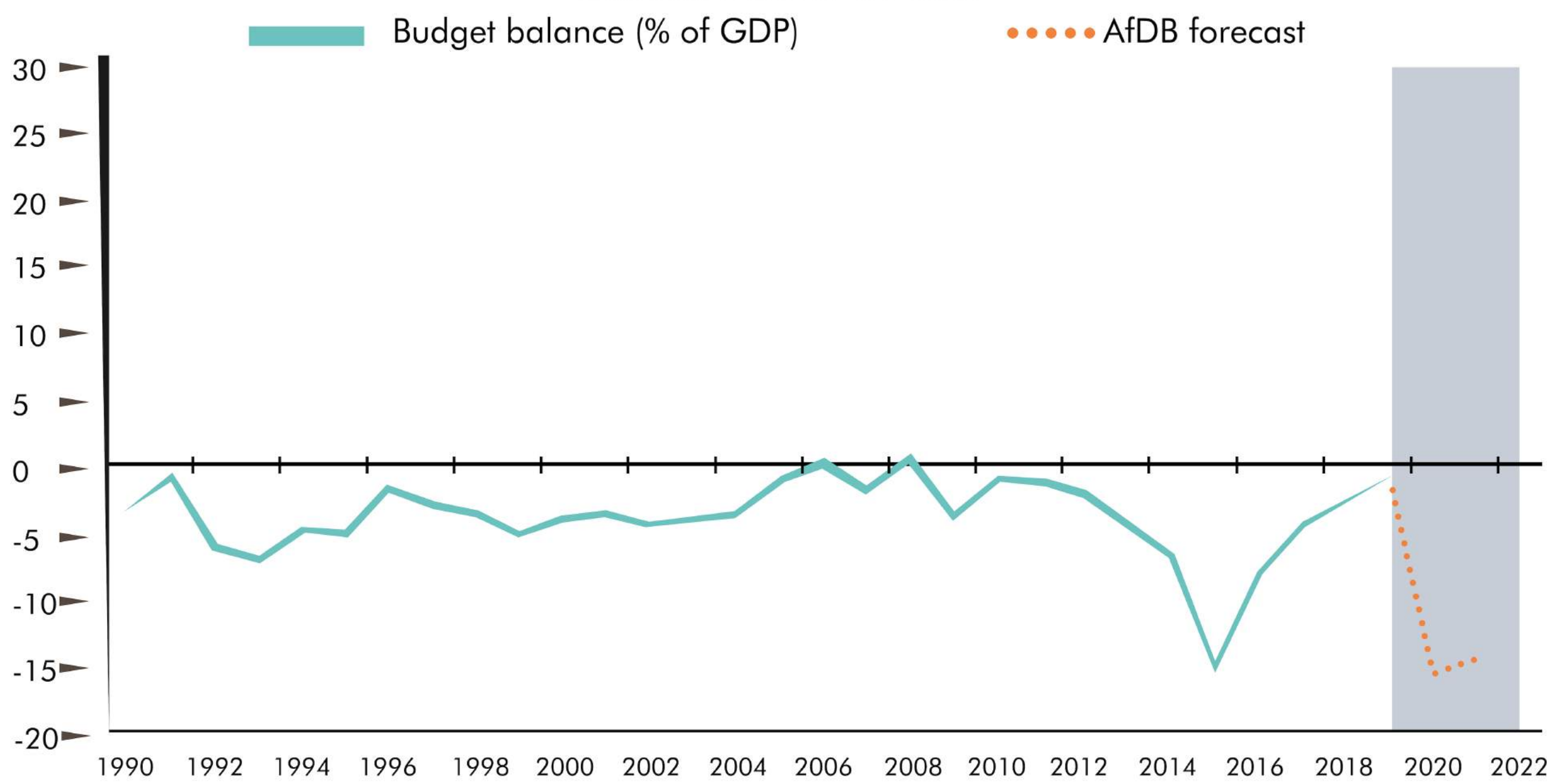
LONG-TERM EXTERNAL DEBT



DJIBOUTI DEBT TO GDP RATIOS



DJIBOUTI BUDGET BALANCE



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? **Yes**
Has ratified Africa Continental Free Trade Agreement? **Yes**

DJIBOUTI

Debt History

Djibouti's economy struggled in the 1990s with overall negative growth on average in the period from 1991 to 1999 due to droughts and a civil war.⁷¹ Nevertheless, the country did not qualify for participation in the HIPC initiative as it was judged not to be heavily indebted. There is also no public mention of debt relief from China over the same period.

DJIBOUTI IN 2021

8.5% economic growth
41.7% public debt to GDP ratio
-14.6% budget balance
1/8 DR's Debt Transparency Index

Djibouti's public debt remained subdued throughout the 2000's as the fragile nature of the country meant global creditors are unwilling to extend debt to it.

However, since 2013, external debt has increased fast, peaking at 122% of GDP in 2017, compared to general government debt of only 48%. The discrepancy between these figures is indicative of the private sector and off-balance-sheet state owned enterprises engaging in externally financed infrastructure projects.

Since the 2010s, Djibouti has seen an economic boom due to heavy infrastructure investment as well as rising trade flows, with annual GDP growth averaging 7.1% from 2015 to 2019.⁷² There has been a considerable increase in government spending on major construction projects, including a railway line and enhanced port activities in line with Djibouti's attempts to leverage its strategic position in the Horn of Africa. With most infrastructure in the hands of state-owned enterprises, the country has had to accumulate substantial debt to finance these projects: as of 2018, the public debt to GDP ratio stood at 104%. The types of projects Djibouti has initiated with loans from China and the World Bank are shown below, as a means of illustration.

Djibouti



SUSTAINABLE DEVELOPMENT GOALS



THE WORLD BANK

Project Name	\$ million	SDGs
Djibouti Free Trade Zone (2017)	115	
Doraleh Multipurpose Port; Damerjog Livestock Port (2016)	344	
90km Nagad-HollHoll-AliSabieh Power Line (2016)	20	

Project Name	\$ million	SDGs
Development Response to Displacement Impacts Project (2020)	10	
Economic Management and Statistics Development for Policy Making (2020)	17	
Expanding Opportunities for Learning (2019)	28	

DJIBOUTI

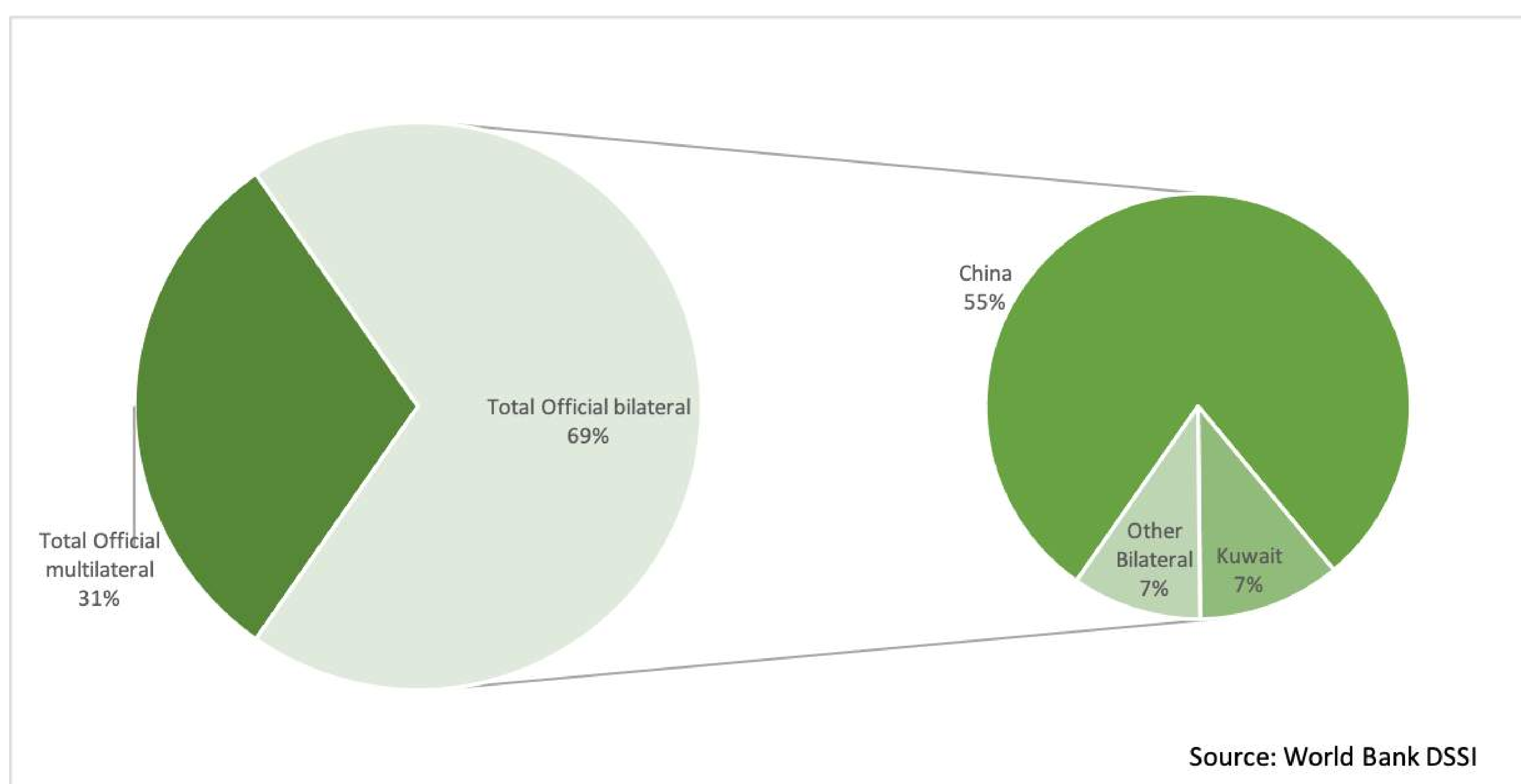
Djibouti's fiscal deficit peaked at 15.4% of GDP in 2015 due to capital expenditure on the two aforementioned large-scale projects, subsequently declining to 0.8% of GDP in 2019 as these projects approached completion.⁷³ The two projects in question are: (i) a railway network between Djibouti and Addis Ababa to improve trade links (see below) and (ii) five new or expanded ports.⁷⁴ This decline in expenditure outweighed the corresponding fall in government revenue attributed to tax exemptions for key activities, including free trade zones.⁷⁵ Meanwhile, total debt service as a share of GNI has more than tripled since 2015 to 21.4% by 2019 because LIBOR-indexed interest rates associated with Djibouti's loan portfolio rose in the late 2010s.⁷⁶ Ultimately, in 2019, the IMF assessed Djibouti's debt situation as being sustainable: despite growing debt, key loans had been restructured, reducing pressure on national debt servicing capacity.⁷⁷

Djibouti scored the joint lowest in this reports' Debt Transparency Index, with a score of 1, which was awarded for Djibouti's functioning Debt Management Office, which has previously received EU funding and training. However, in all other aspects of debt transparency, Djibouti scored zero.

Chinese Debt Exposure

China is Djibouti's largest creditor, with Chinese credit accounting for 58% of the country's total external debt stock. Equally, 58% of Djibouti's debt servicing costs are paid to China. Djibouti has used Chinese loans to finance a \$3.5 billion free trade zone, expected to be the biggest in the continent, in addition to constructing a railway, two airports and a pipeline.⁷⁸ While these projects will no doubt generate new economic growth, some other creditors have expressed concern that Djibouti is too exposed to Chinese debt, which may leave it vulnerable and unable to access financing from them. Indeed, whilst the country previously sought financing from the U.A.E., Saudi Arabia, Kuwait, Europe, and Turkey it is no longer the case today.

Figure 5: Breakdown of Djibouti's debt stocks



DJIBOUTI

Current Financing Challenges

WHAT DOES DJIBOUTI STILL NEED TO FINANCE?
SOME EXAMPLES:

ACCESS TO ELECTRICITY FOR 40% OF THE POPULATION
ACCESS TO DRINKING WATER FOR 24% OF THE POPULATION
ACCESS TO INTERNET FOR 44% OF THE POPULATION
IMPROVING TRADE INFRASTRUCTURE BY 26% TO REACH CHINESE LEVELS



As is illustrated above, Djibouti has significant remaining financing needs in order for the population to achieve poverty reduction, in particular ensuring access to electricity and internet, much of which is unlikely to be met through domestic financing alone. The IMF considers Djibouti's debt to be sustainable under the baseline scenario, but with a high risk of debt distress given any further economic shock, as their ability to service debt could be substantially weakened. Similarly, the Jubilee debt campaign predict a debt crisis in 2020. The IMF and Jubilee believe that debt vulnerability has grown because of a too heavy focus on big investment projects in a few sub-sectors at the expense of holistic efforts to improve factor productivity, debt management and domestic resource mobilization. Multilateral organisations believe this is reinforced by structural challenges in governance.⁷⁹

Nevertheless, these large investment projects are a source of growth, albeit vulnerable to external shocks. The small Djiboutian economy is heavily dependent on port operations: the manufacturing and service sectors revolve almost entirely around the port's activities, accounting for more than 80% of GDP.⁸⁰ Over 80% of the port's operations in turn involves Ethiopian trade: Ethiopia is Djibouti's largest trading partner, and as a landlocked nation, relies on access to the Port of Djibouti to transport its goods.⁸¹ Djibouti's foreign exchange earnings are likely to fall due to lower demand for Ethiopian exports in 2020 on the back of weak global demand and supply chain disruptions.⁸² As a result, Djibouti's heavy reliance on foreign exchange creates potential vulnerabilities in servicing its debt.

The COVID19 Impact

In order to deal with COVID19, Djibouti has introduced social assistance measures included distribution of food across vulnerable households and cash transfers, \$11.2 million in microcredits to small businesses and postponed a tax levy.⁸³ Overall, this is estimated to cost a total \$70 million by September 2020.

However, the COVID-19 pandemic has weakened the country's macroeconomic position, with GDP forecast to contract by 0.5% in 2020 based on the African Development Bank's 'worst-case scenario'. The budget deficit is particularly at risk, potentially widening to 15.6% of GDP, and public debt is forecast to rise to 150% of GDP in 2020, the joint highest public debt to GDP ratio amongst select countries analysed in this guide. In order to keep public debt in check and reduce future vulnerabilities, the country should aim for more balanced growth, particularly as it implements Vision Djibouti 2035, which aims to turn Djibouti into a regional hub for logistics, commerce and transshipment.⁸⁴ With this in mind, assuming global economic recovery, economic growth is expected to return to Djibouti in 2021 at a rate of 5.2%.

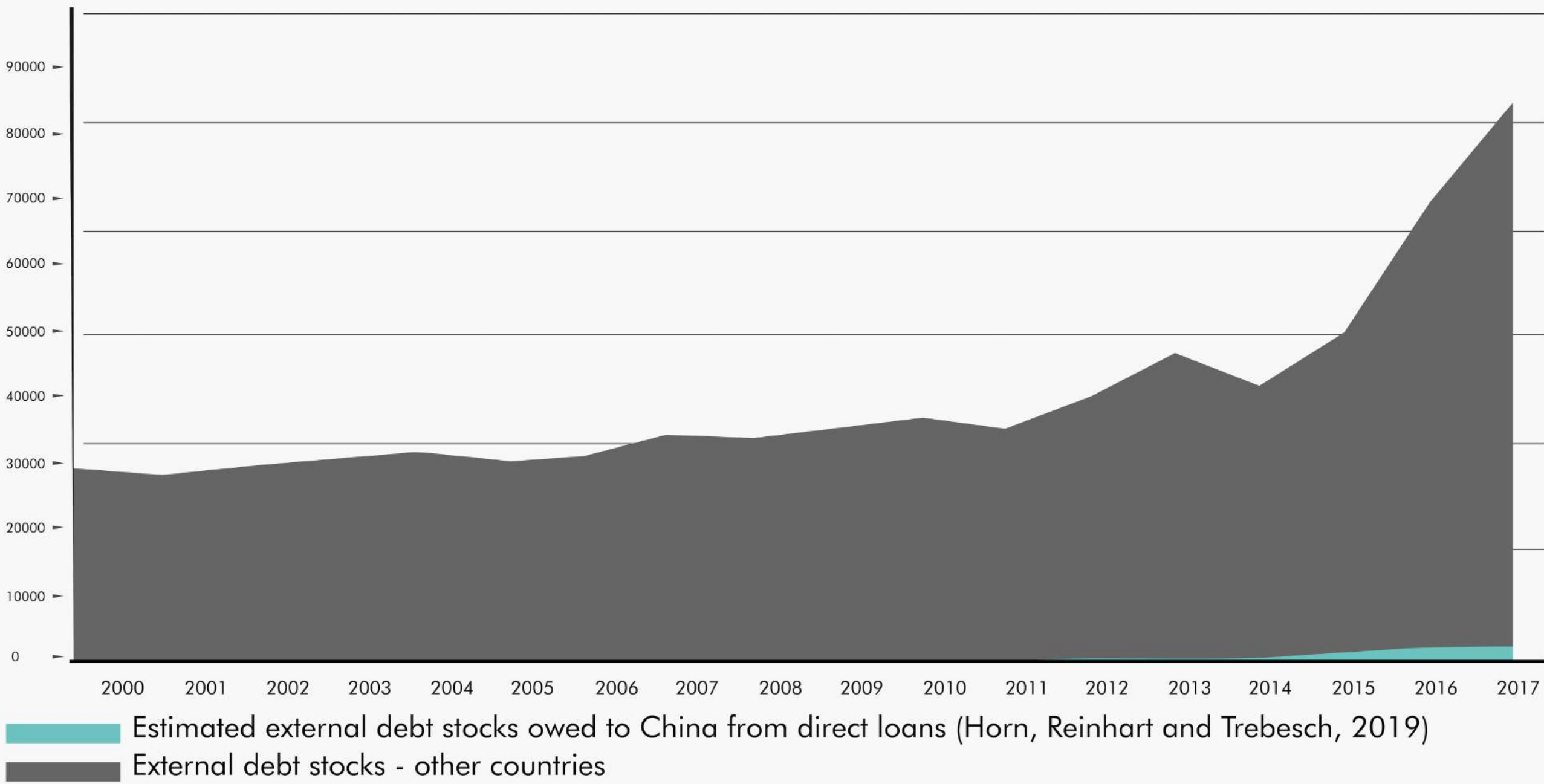
Djibouti participated in the G20's Debt Suspension Initiative (DSSI), which would allow the country to receive debt service suspension by official bilateral creditors – including China – amounting to \$56.8 million by the end of in 2020.⁸⁵ In May 2020, Djibouti requested and was approved for a new loan of \$43.4 million from the IMF's interest-free Rapid Credit Facility (RCF) to mitigate the economic effects of the pandemic, along with grants worth up to \$8.2 million to help the country cover other IMF-linked debt service obligations.⁸⁶ These funds are channelled directly into Djibouti's budget and may account for up to 11% of gross foreign reserves at their peak.⁸⁷

EGYPT

COUNTRY OVERVIEW



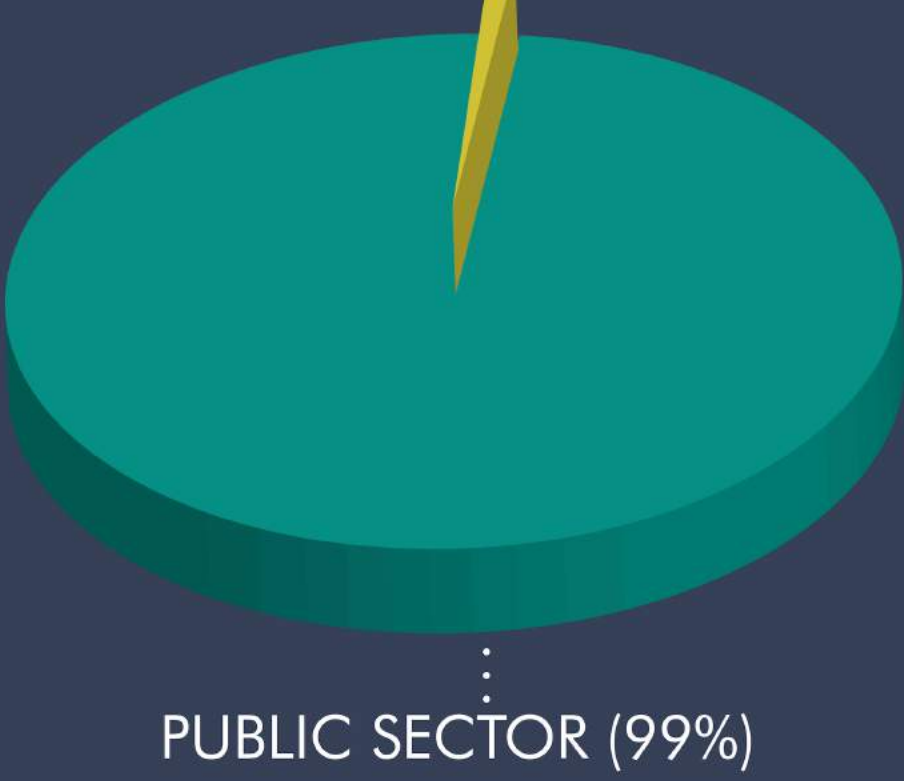
EXTERNAL DEBT STOCKS TO CHINA VS. OTHER COUNTRIES IN US MILLION



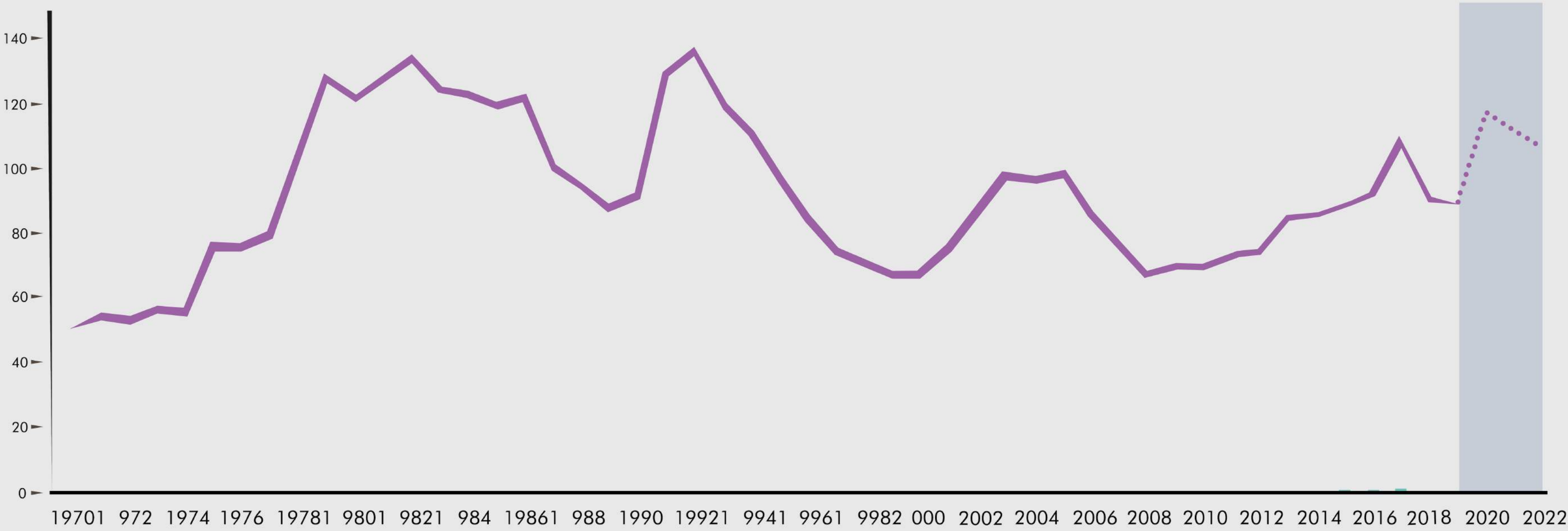
SHORT-TERM EXTERNAL DEBT



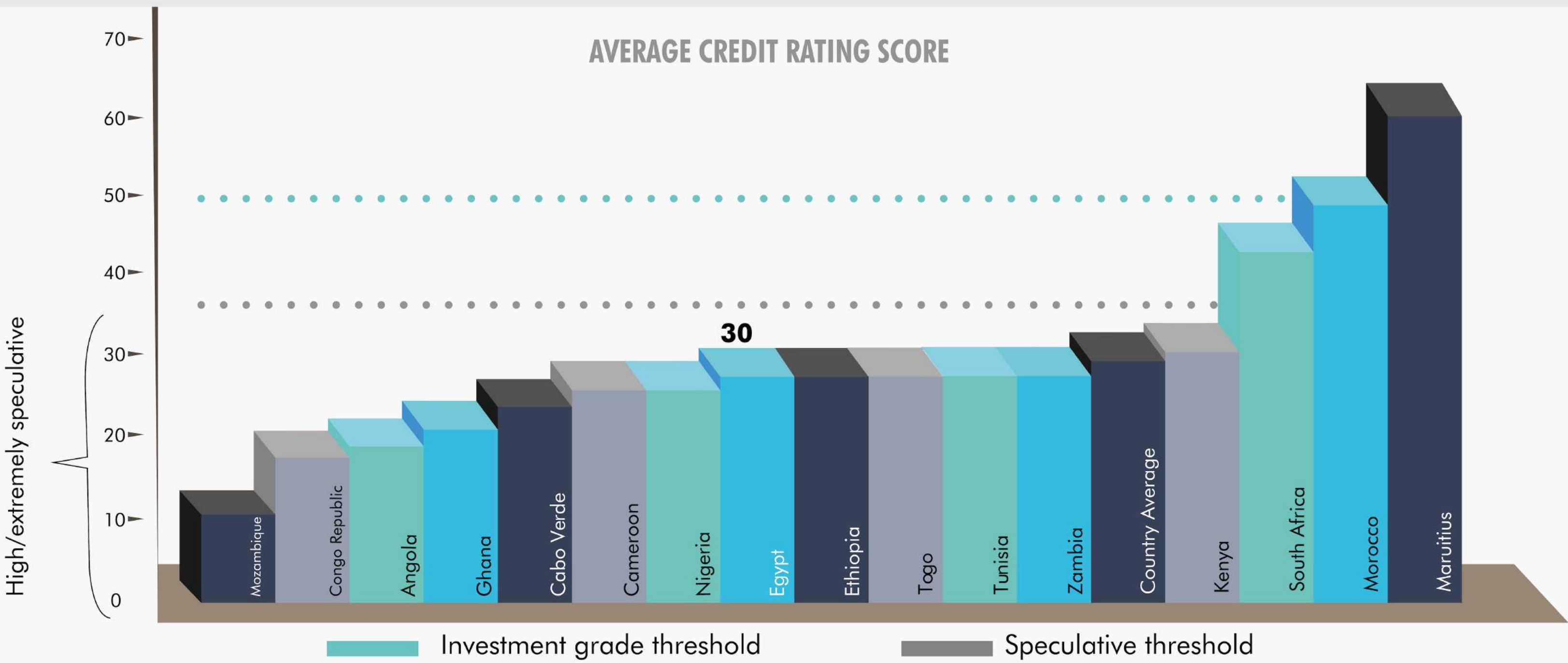
LONG-TERM EXTERNAL DEBT
PRIVATE SECTOR (1%)



EGYPT PUBLIC DEBT TO GDP RATIOS



AVERAGE CREDIT RATING SCORE



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? **Yes**
Has ratified Africa Continental Free Trade Agreement? **Yes**

EGYPT

Debt History

From the 1970s through to the early 1990s the Egyptian government borrowed extensively from its Arab neighbours and the Western countries as it invested heavily in military purchases and training, in order to manage a porous border with Israel.⁸⁸

EGYPT IN 2021

2.8%	economic growth
112%	public debt to GDP ratio
-8.1%	budget balance
4.5/ 8	DR's Debt Transparency Index

This resulted in an accumulation of debt that peaked at 137% of GDP in 1992, whilst robust growth in the latter half of the 1990s led to a period of fiscal surpluses and a gradual reduction in the debt to GDP ratio, which fell to 67% by 2000. Egypt was never part of HPIC and no debt cancellation from China has been announced by Egypt over that period.

Over the past decade, Egypt's overall macro-financial performance has been mixed. GDP growth averaging 4.7% since 2015, driven by tourism, construction and oil and gas, and is the only North African economy expected to grow in 2020, despite the COVID crises.⁸⁹ However, over the same time period the government has consistently run double digit fiscal deficits, resulting in a steady increase in its debt stock. In 2016, the country implemented economic policy changes including reducing public spending, tighter monetary policy and targeted social transfers to replace expensive fuel subsidies.⁹⁰ Since the start of the policy changes, the fiscal deficit has narrowed by 5 percentage points to 7.4% while public debt to GDP is gradually reducing from its 20-year high of 108% recorded in 2017. The types of projects Egypt has initiated with loans from China and the World Bank are shown below, as a means of illustration.

Egypt



SUSTAINABLE DEVELOPMENT GOALS



THE WORLD BANK



Project Name	\$ million	SDGs
Interbank Loan (2018)	600	8 DECENT WORK AND ECONOMIC GROWTH
Rollout of 4G network and transmission system (2018)	160	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
500kV Transmission Line Project 1210km (2018)	690	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Project Name	\$ million	SDGs
Greater Cairo Air Pollution Management and Climate Change Project (2020)	200	13 CLIMATE ACTION
Sustainable POPs Management Project (2020)	0.75	8 DECENT WORK AND ECONOMIC GROWTH
Supporting Egypt's Universal Health Insurance System (2020)	400	3 GOOD HEALTH AND WELL-BEING

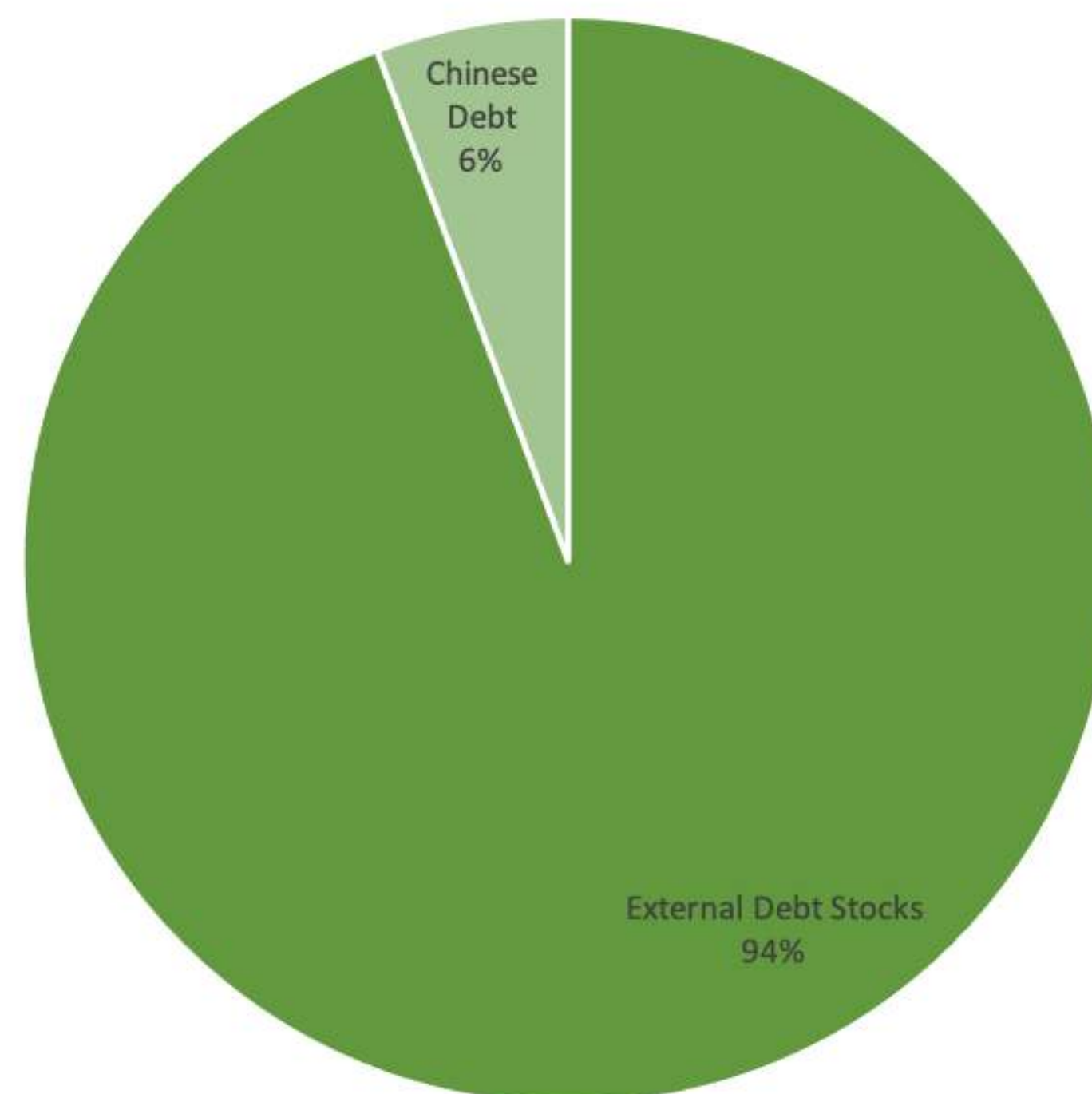
The IMF's assessment of Egypt's debt sustainability has been moderate in the run-up to the COVID-19 pandemic. It expressed confidence in Egypt's ability to weather capital outflows on the back of foreign reserves (totalling \$44.5 billion) built up following the abandonment of a fixed exchange rate regime. Further, profitable and liquid local banks hold the majority of debt denominated in the domestic currency, reducing the risk of a debt crisis.⁹¹ Due to a relatively low share of external debt at about 40% of GDP, Egypt's Fitch credit rating has remained stable at 'B+' as of mid-2020⁹² – which is below investment grade and highly speculative but suggests an ability to meet current financial commitments assuming no further economic shocks.⁹³

EGYPT

Chinese Debt Exposure

Chinese credit is not a substantial share of Egypt's debt portfolio, with the money owed to China accounting for 6.1% of total debt stock in late 2019 according to the Central Bank of Egypt. Instead, Egypt's biggest creditors are multilateral institutions (30.8% of total debt) and the Arab nations (20.5%).⁹⁴ Egypt is also the second largest recipient of US military aid, behind that only of Israel.

Figure: Chinese debt as a proportion of Egypt's total external debt stock



Source: Central Bank of Egypt

Current Financing Challenges

WHAT DOES EGYPT STILL NEED TO FINANCE?
SOME EXAMPLES:

ACCESS TO INTERNET FOR 52% OF THE POPULATION
IMPROVING TRADE INFRASTRUCTURE BY 25% TO REACH CHINESE LEVELS



As is illustrated above, Egypt has some remaining financing needs to meet its population's basic needs, in particular ensuring access to the internet, which may be possible to meet through domestic financing. However, Egypt's debt vulnerability has increased as a result of the pandemic, with the Jubilee debt campaign predicting a debt crisis in 2020. The public debt to GDP ratio is forecast to rise to 118% in 2020 due to urgent financing needs, surpassing its 2017 peak and reversing the efforts made to rein in public debt before the pandemic. The fiscal deficit, a longstanding challenge facing the Egyptian economy, is also expected to worsen, climbing to 8.7% of GDP. In addition to worsening the balance of payments position, a wider deficit could increase vulnerability by weakening Egypt's capacity to respond to economic shocks. Meanwhile, Egypt spends significant amounts servicing its growing debt stocks; debt service payments are equivalent to 22% of government expenditure, the third highest rate amongst the countries analysed. For comparison, in 2017, Egypt only spent 5.4% of each expenditure on healthcare, representing a potentially high opportunity cost IF the projects being funded by loans are not helping raise citizen's standards of living or generating a return.

EGYPT

This report estimates Egypt is only fulfilling 13% of total tax potential, a figure which has been steadily increasing over the past few years but still remains low.⁹⁵ To ensure pre-pandemic efforts to plug this gap are not wasted, the IMF has affirmed its support for the continuation of Egypt's policy changes through SBA financing while the government is strengthening domestic resource mobilization.⁹⁶ Assuming global economic recovery and effective policy implementation, the Egyptian economy is expected to grow by 2.1% in 2021.

The COVID19 Impact

In order to respond to COVID19, the Egyptian government has introduced cash transfers to informal workers and pregnant and lactating non-Syrian refugees, and the postponement of property tax payments borne by key businesses. These programmes were intended to reach approximately 33 million people – 32.4% of the population.⁹⁷ By September 2020, the measures have been estimated to cost \$63 billion (2.5% of GDP).

The wide reach is because the Egyptian economy faces several vulnerabilities due to the onset of the pandemic. Tourism is a key industry in Egypt, with receipts accounting for 20% of export value while remittances – primarily from the Gulf countries – make up 8% of GDP.⁹⁸ The pandemic-induced fall in oil prices as well as the collapse of the tourism industry on the back of reduced global demand will affect Egypt's growth prospects in 2020. Nevertheless, Egypt is forecast to avoid recession in 2020 due to its policy changes, high reserves and relative economic diversification (despite being an oil exporter, crude and refined petroleum collectively account for 19.6% of exports).⁹⁹ Egypt is the only country in North Africa projected to record positive growth in 2020,¹⁰⁰ placing Egypt in a stronger balance of payments position than its neighbours, including oil-dependent Algeria and Libya, trade-dependent Tunisia and tourism-dependent Morocco, though debt vulnerabilities remain (see below).

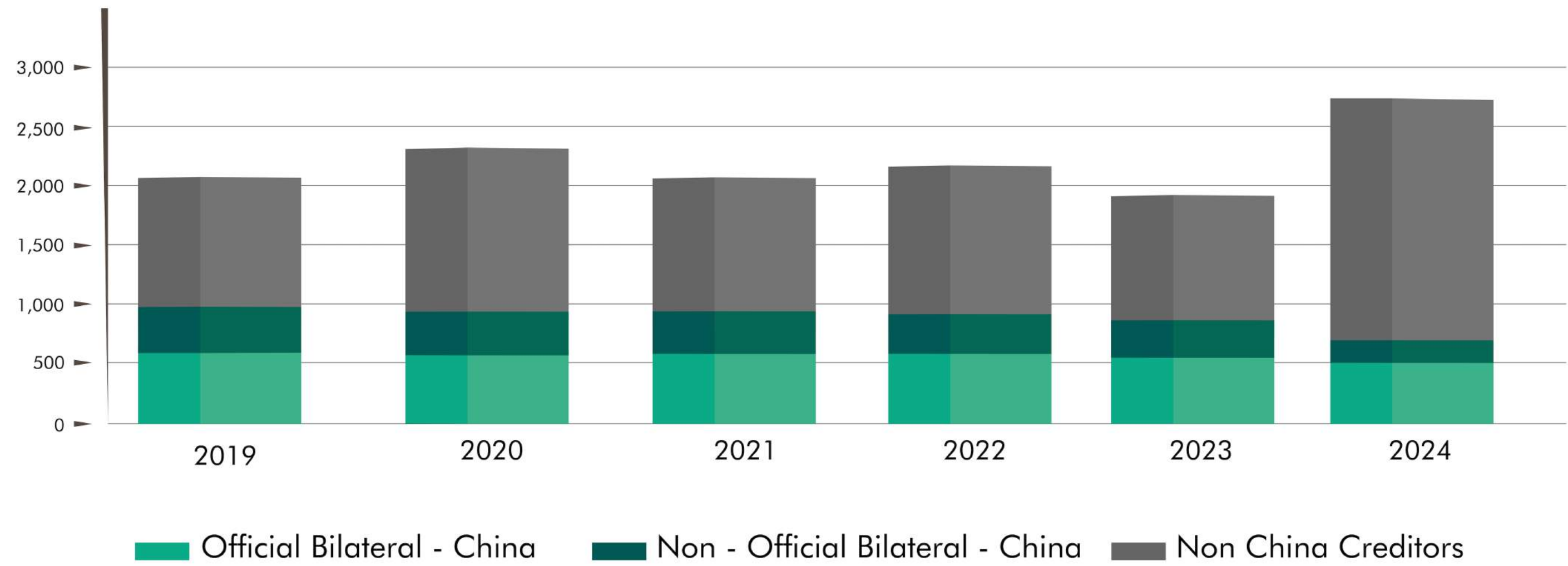
Egypt is not eligible for the G20's Debt Suspension Initiative (DSSI) as the DSSI only applies to a few middle-income countries and all low-income and least developed countries defined by the United Nations. But Egypt received support from the IMF to address the COVID-19 pandemic. In June 2020, the IMF agreed to give Egypt access to \$5.2 billion under a Stand-by Arrangement (SBA) lasting 1 year at an interest rate of about 3%, with immediate disbursement of \$2 billion, to support financing during the pandemic. The program also aims to ensure previous economic policy changes are not undone, focusing in particular on private sector-supported growth. Repayment of the SBA will take place over eight quarterly instalments, beginning in September 2023.

ETHIOPIA

COUNTRY OVERVIEW



PROJECTED DEBT SERVICE TO CHINA VS. OTHER CREDITORS (USD MILLIONS)

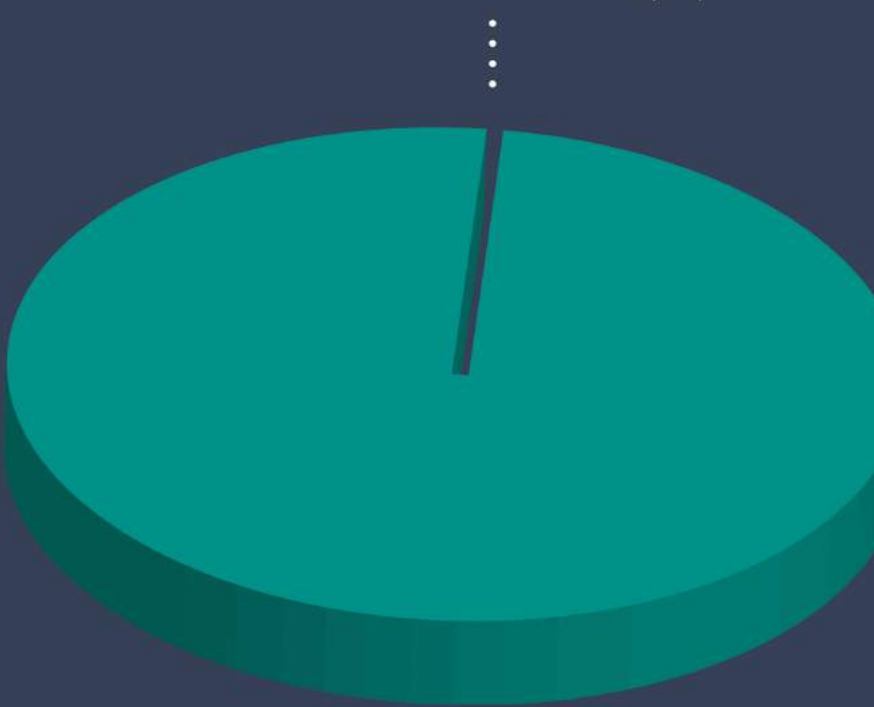


SHORT-TERM EXTERNAL DEBT



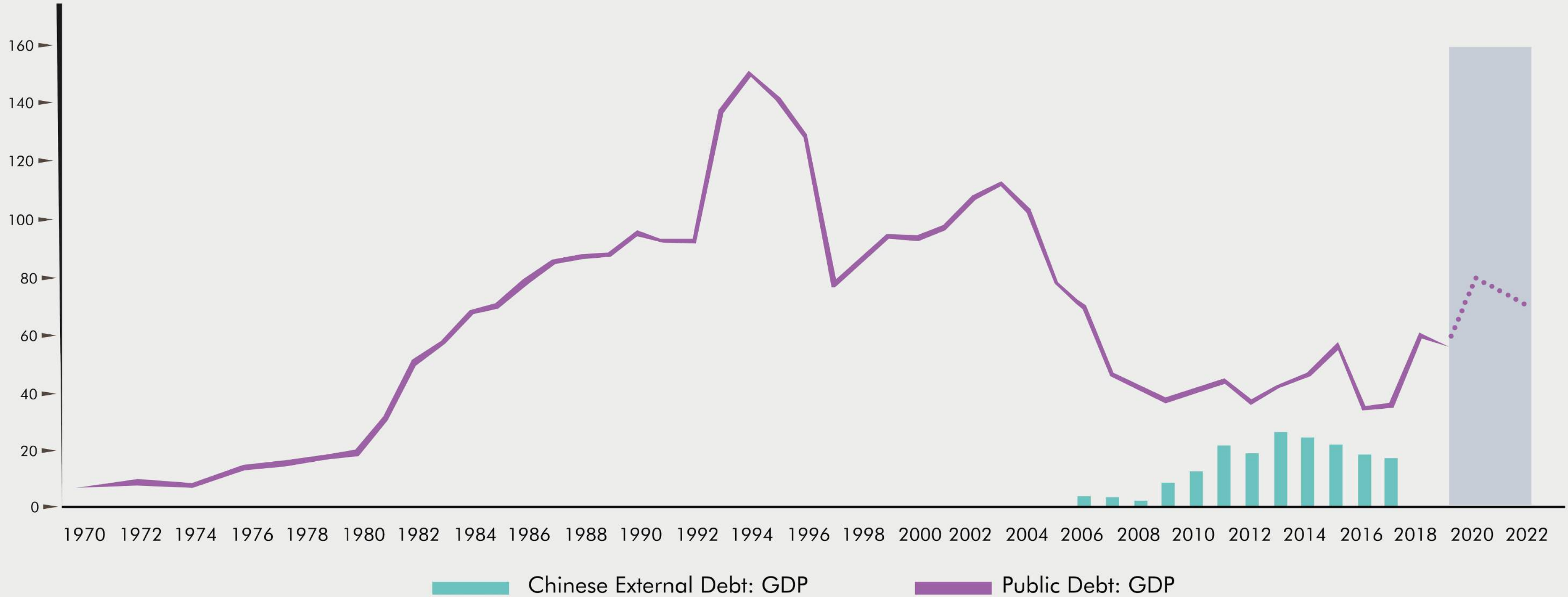
LONG-TERM EXTERNAL DEBT

PRIVATE SECTOR (0)

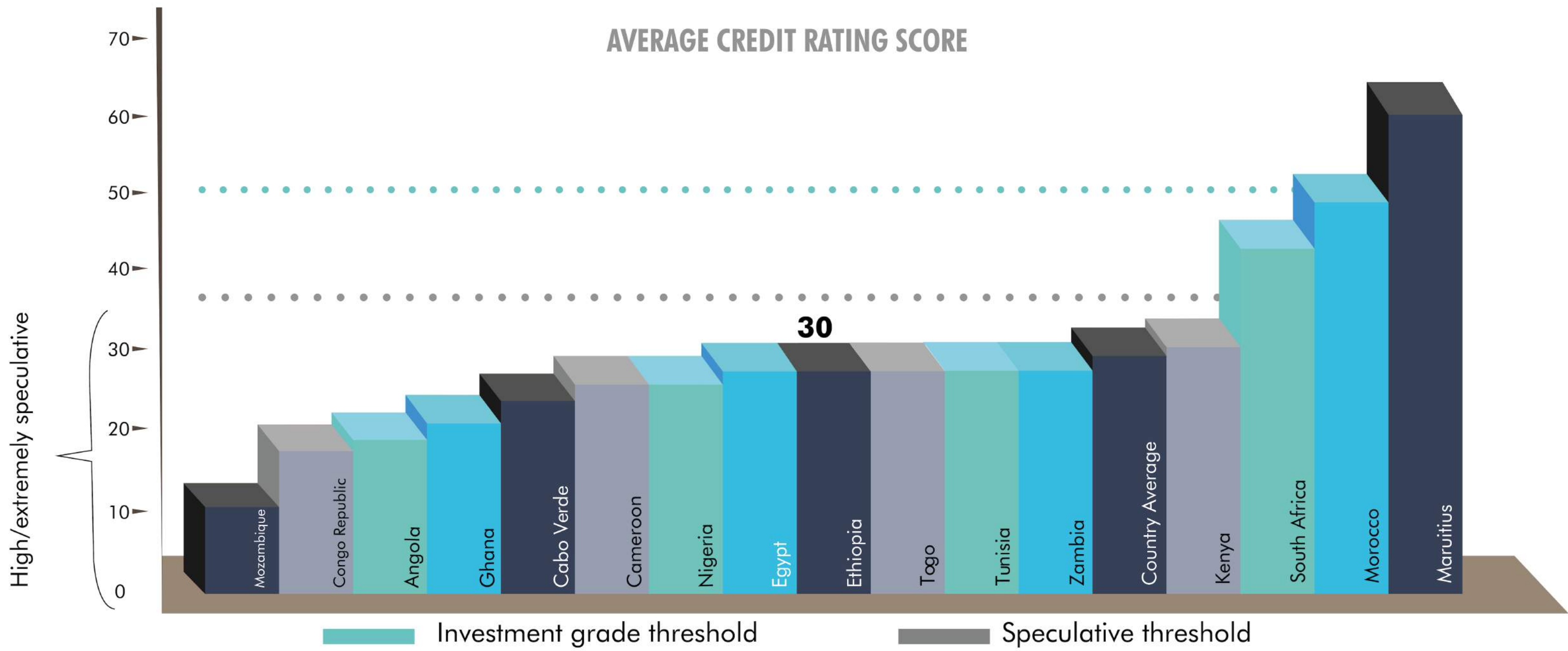


PUBLIC SECTOR (100%)

ETHIOPIA DEBT TO GDP RATIOS



AVERAGE CREDIT RATING SCORE



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? **Yes**
Has ratified Africa Continental Free Trade Agreement? **Yes**

ETHIOPIA

Debt History

In the 1980s, Ethiopia accumulated a substantial amount of debt chiefly to procure arms for its civil war with present day Eritrea. The diversion of resources away from productive sectors was associated with low economic growth, which averaged 0.7% during the 1980s decade. The combination of rising debt, higher interest rates on the debt due to global shocks, and poor GDP performance led to a rapid increase in the debt to GDP ratio, which peaked at 151% in 1994. The country's indebtedness was eventually brought under control in the 2000s through various debt relief efforts, as shown below.¹⁰¹

\$1.9 billion committed debt relief
through HIPC I

\$141 million Chinese debt relief

\$7 million UK debt relief

\$46 million USA debt relief

ETHIOPIA IN 2021

4.3% economic growth

75% public debt to GDP ratio

-3.1% budget balance

4 / 8 DR's Debt Transparency Index

In recent years, Ethiopia has been one of the world's fastest growing economies, with annual GDP growth averaging 9.1% from 2015 to 2019 on the back of public investment and private consumption.¹⁰² Starting from a low base, the country has prioritized public investment financed through debt, which propelled the growth of manufacturing and services but led to a doubling of public debt to 60% of GDP in the last decade. It has the highest expected growth rate in 2020, 3.2%, amongst all countries this guide has analysed.

Despite strong growth, tax revenue as a share of GDP has consistently declined since 2014, reaching 7.5% in 2019, due to poor tax compliance in key sectors and political unrest. Nevertheless, the Ethiopian government made progress in narrowing the budget deficit to 2.5% last year through expenditure cuts and fiscal consolidation in response to lower revenue collection. Key interventions included the implementation of a Public Debt Management and Guarantee Issuance Directive to reduce borrowing by state-owned enterprises as well as a reduction in public imports.¹⁰³

The IMF has assessed Ethiopia's debt sustainability rating as high risk in 2019 because of the country's limited sources of foreign exchange in light of poor export performance.¹⁰⁴ Exports represent only 7.9% of GDP, one of the lowest in Africa. The composition of exports is relatively undiversified and commodity-dependent, with low value-added vegetable products accounting for 64.7% of total exports.¹⁰⁵ Partly as a consequence, Ethiopian reserves are low and vulnerable: at just \$4.2 billion in 2019, usable reserves are hardly enough to cover 2 months of imports.¹⁰⁶ Recognizing these issues, the government has introduced a Homegrown Economic Reform Plan (HERP) comprising macroeconomic, structural and sectoral policies to reduce instability.¹⁰⁷ The types of projects Ethiopia has initiated with loans from China and the World Bank are shown below.

ETHIOPIA

Ethiopia



SUSTAINABLE DEVELOPMENT GOALS



THE WORLD BANK

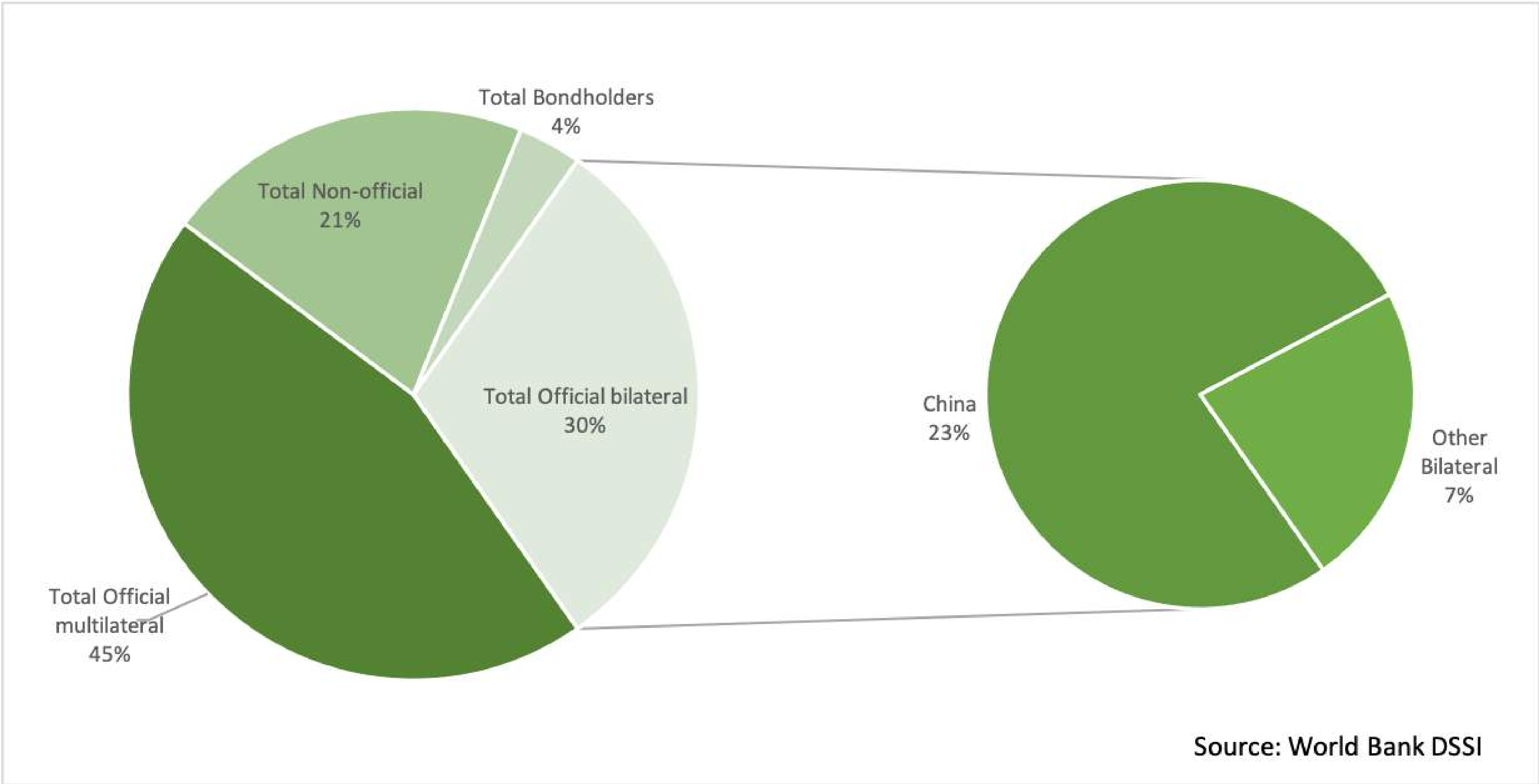
Project Name	\$ million	SDGs
Mekelle Water Supply Project (2018)	235	6 CLEAN WATER AND SANITATION
Adama; Ethio-Hunan Equipment Production Cooperation Industrial Park (2017)	262	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Modjo-Hawassa Expressway; Arsi Negele-Hawassa Section (2017)	171	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Project Name	\$ million	SDGs
Strengthen Ethiopia's Adaptive Safety Net (2020)	2283.76	3 GOOD HEALTH AND WELL-BEING
Urban Productive Safety Net and Jobs Project (2020)	550	8 DECENT WORK AND ECONOMIC GROWTH
Ethiopia Resilient Landscapes and Livelihoods Project Additional Financing (2020)	13	15 LIFE ON LAND

Chinese Debt Exposure

China is Ethiopia’s largest bilateral creditor, with outstanding debt accounting for 32% of the latter’s public debt stock, followed by the World Bank at 31% as of 2020. However, Chinese loans represent a disproportionately higher share of total debt service at 42% due to higher interest rates associated with this source of credit. Ethiopia has borrowed from China to fund more than 50 projects, including \$3 billion for the expansion of telecommunications, \$2.5 billion for the Addis-Djibouti railway, \$2.3 billion for hydropower plants and \$1.7 billion for sugar mills.¹⁰⁸

Figure 6: Breakdown of Ethiopia’s debt stocks



ETHIOPIA

Current Financing Challenges

As is clear from the below, Ethiopia has very significant financing needs in order for the population to achieve poverty reduction, in particular ensuring access to electricity, water and internet, and even improving basic road infrastructure, much of which is highly unlikely to be met through domestic financing alone.

WHAT DOES ETHIOPIA STILL NEED TO FINANCE?
SOME EXAMPLES:

ACCESS TO ELECTRICITY FOR 55% OF THE POPULATION
ACCESS TO DRINKING WATER FOR 70% OF THE POPULATION
ACCESS TO INTERNET FOR 82% OF THE POPULATION
IMPROVING ROAD INFRASTRUCTURE BY 130% TO REACH CHINESE LEVELS



Despite these needs, both the IMF and the Jubilee debt campaign predict that the country is at high risk of a debt crisis in 2020. The public debt to GDP ratio is forecast to rise to 80% in 2020 due to pressures on balance of payments, a 40% rise from 2019. According to the IMF, the existence of state-owned enterprises (SOEs) is a major factor leading to debt vulnerability, with no transparency in terms of access to budget frameworks and financial statements. The government has tried to address this issue through privatization, limiting SOEs' access to non-concessional loans as well as renegotiating the grace periods and loan maturities associated with some SOE loans.¹⁰⁹ However, Ethiopia dedicates the lowest share of government expenditure to servicing its debt amongst all countries analysed in this report, reflecting the low interest rates and long grace periods it enjoys on its debt.

Furthermore, the Ethiopian economy is expected to grow at a rate of 3.1% in 2021 according to AfDB's 'worst case' forecast, assuming global economic recovery. This is substantially lower than the country's pre-pandemic growth track record not just because of potentially prolonged worldwide disruptions, but also because domestically the development strategy seems to be changing based on IMF recommendations. In line with the HERP, the government aims to focus on addressing macroeconomic stability, such as keeping inflation in check as well as promoting debt sustainability, alongside greater private sector involvement. Therefore, growth may be subdued in the medium term as Ethiopia tries to take a more austere approach.

The COVID19 Impact

Ethiopia's response to the pandemic has included social protection initiatives through food distribution and the Productive Safety Net Programme (PSNP), which is largely based on cash transfers. These programmes were intended to reach 30 million people across the country, 26.6% of Ethiopia's population. The central bank has also provided support for private commercial banks.¹¹⁰ By September 2020, the Ethiopian government had budgeted \$1.7 billion (2.1% of GDP) on such measures.

This is because the COVID-19 pandemic is expected to dampen Ethiopia's economic growth prospects, though it is projected to avoid recession. The African Development Bank's (AfDB) 'worst case' scenario for Ethiopian GDP growth in 2020 is 2.6%. Though commodity exports may be affected by weaker global demand and supply chain disruptions,¹¹¹ Ethiopia is neither an oil exporter nor a resource-intensive country, so the high-level impact of the pandemic is not likely to be severe. The pandemic-stricken tourism sector, which contributes about 9% of GDP, has been hard hit, but this is offset by the country's low dependence on remittances and trade with China, Europe and the US.¹¹² Meanwhile, in terms of credit worthiness, Fitch maintained Ethiopia's 'B' rating in June 2020 – which is below investment grade and highly speculative but suggests an ability to meet current financial commitments assuming no further economic shocks¹¹³ – though the outlook is negative.¹¹⁴

ETHIOPIA

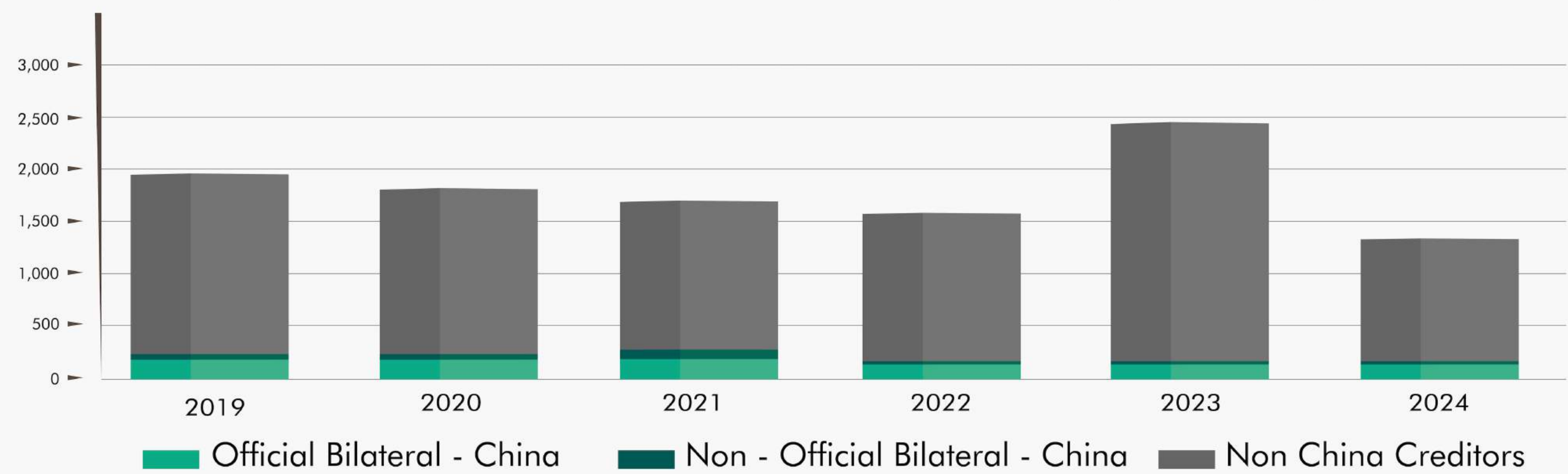
Ethiopia participated in the G20's Debt Suspension Initiative (DSSI), which would allow the country to receive debt service suspension by its official bilateral creditors – including China – amounting to \$472.9 million by the end of 2020.¹¹⁵ In April 2020, Ethiopia asked for and the IMF approved \$411 million in emergency funding as part of its concessional Rapid Financing Instrument program to help address the economic fallout from the pandemic. This will need to be repaid within 10 years. Ethiopia has also successfully requested an IMF grant from April to October 2020 under the Catastrophe Containment and Relief Trust totalling \$12 million, which was recently extended to April 2021.¹¹⁶

GHANA

COUNTRY OVERVIEW



PROJECTED DEBT SERVICE TO CHINA VS. OTHER CREDITORS (USD MILLIONS)

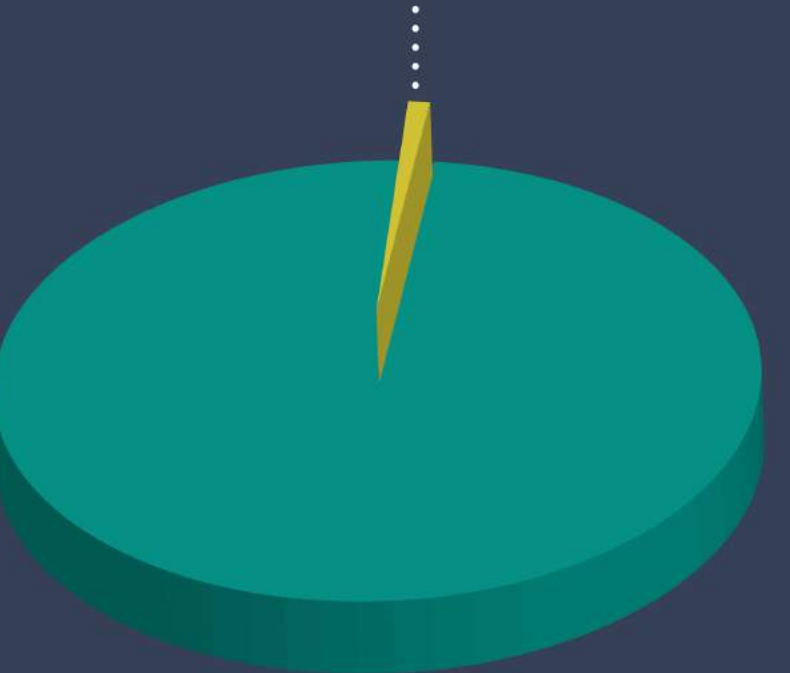


SHORT-TERM EXTERNAL DEBT



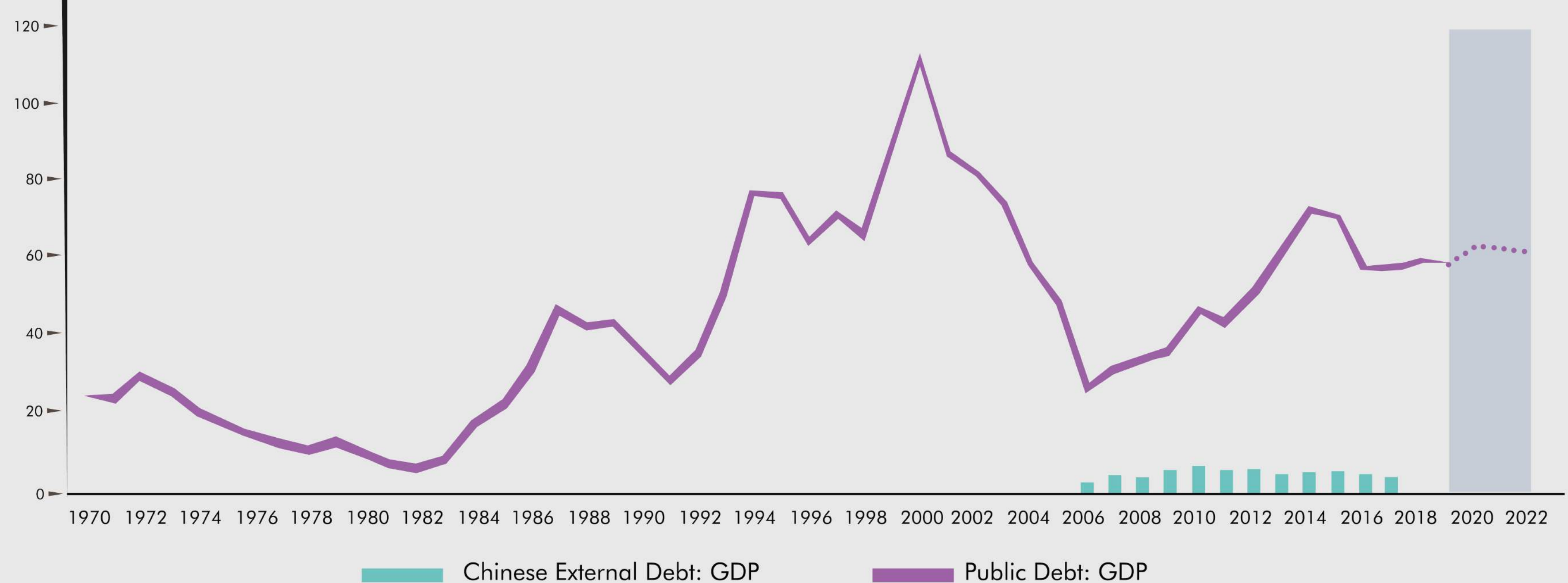
LONG-TERM EXTERNAL DEBT

PRIVATE SECTOR (1%)

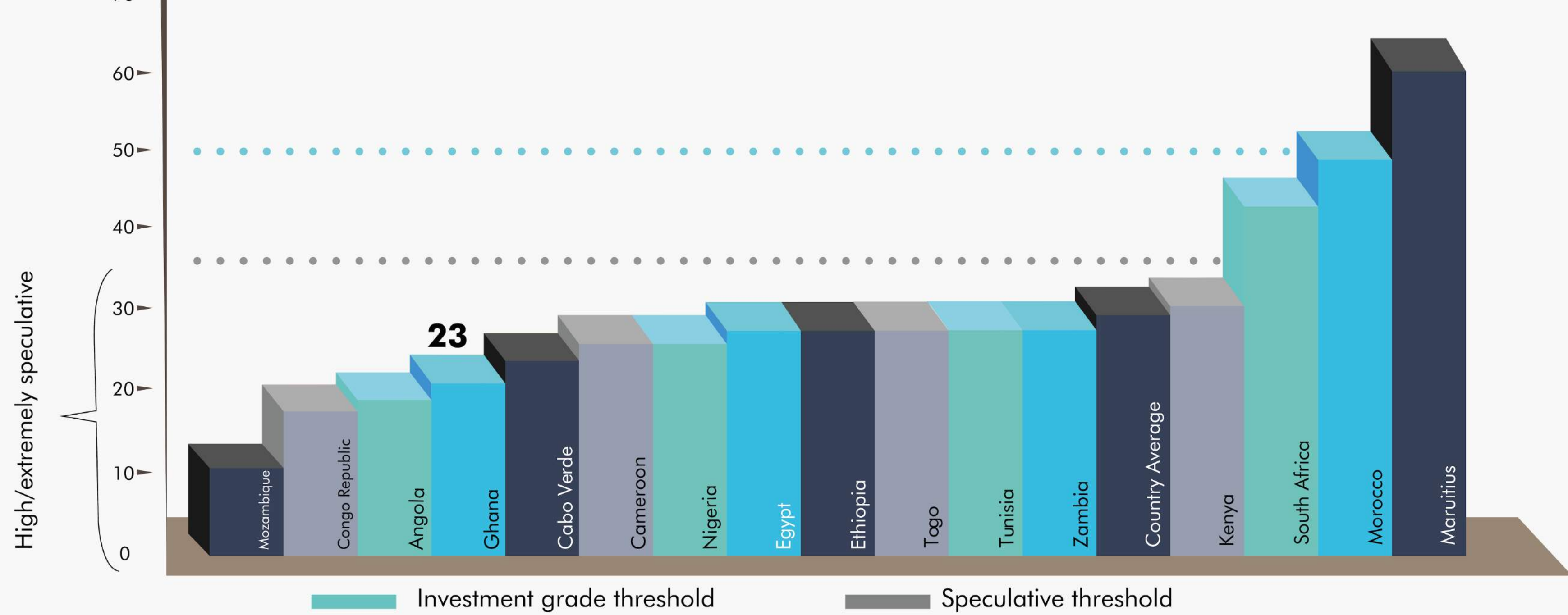


PUBLIC SECTOR (99%)

GHANA DEBT TO GDP RATIOS



AVERAGE CREDIT RATING SCORE



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? **Yes**
Has ratified Africa Continental Free Trade Agreement? **Yes**

GHANA

Debt History

Like much of the rest of Africa, commodity-dependent Ghana was not immune to the international debt crisis of the 1980s and 1990s. The impact on Ghana was felt by a fall in commodity prices and therefore lower GDP growth, such that the country's debt to GDP ratio peaked in 2000 at 112%, without the country taking on any new debt.

GHANA IN 2021

5.9%	economic growth
63%	public debt to GDP ratio
-9.3%	budget balance
7/8	DR's Debt Transparency Index

However, in the mid-2000s, debt relief through participation in the HIPC initiative brought the country's external debt down by about two-thirds with a write off of over \$2 billion.¹¹⁷ China has also been a generous creditor to Ghana, writing off a quarter of a billion dollars since 2000 to help support the country's debt sustainability.

\$2.2 billion committed debt relief
through HIPC

\$246 million Chinese debt relief

\$100 million UK debt relief

\$26 million USA debt relief

In the last few years meanwhile, Ghana's macroeconomic performance has been very stable, with annual GDP growth averaging 6.8% from 2017 to 2019 due to a strong industrial sector and higher consumption.¹¹⁸ Public debt has risen since the early 2010s because of greater one-off expenditures and the issue of a \$3 billion Eurobond (see below) but remains under IMF thresholds at 59.3% of GDP as of 2018.¹¹⁹ The types of projects Ghana has initiated with loans from China and the World Bank are shown below, as a means of illustration.

Ghana



SUSTAINABLE DEVELOPMENT GOALS



THE WORLD BANK



Project Name	\$ million	SDGs
Upgrading of Polytechnics; Technical and Vocational Training Centers (2018)	119	4 QUALITY EDUCATION
Self-Help Electrification Programme (SHEP) (2016)	173	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Dedicated Security Information System Phase II (2013)	123	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Project Name	\$ million	SDGs
Ghana Development Finance Project (2020)	250	8 DECENT WORK AND ECONOMIC GROWTH
Ghana Additional Financing for Greater Accra Metropolitan Area Sanitation and Water Project (2020)	125	6 CLEAN WATER AND SANITATION
Ghana Accountability for Learning Outcomes Project Additional Financing (2020)	44.8	4 QUALITY EDUCATION

GHANA

However, the fiscal deficit has almost doubled since 2017 to 7.3% of GDP in 2019. This is partly driven by low tax raising in Ghana.¹²⁰ Tax revenue stands at just 12.6% of GDP in 2018, below the African average of 17.2% recorded a year earlier.¹²¹ Recognizing this shortfall, the Ghanaian government has introduced the “Ghana Beyond Aid” strategy to plug the fiscal deficit by improving tax compliance – including of informal businesses, reviewing tax exemptions – many of which apply to foreign investors - and identifying new indirect service taxes.¹²²

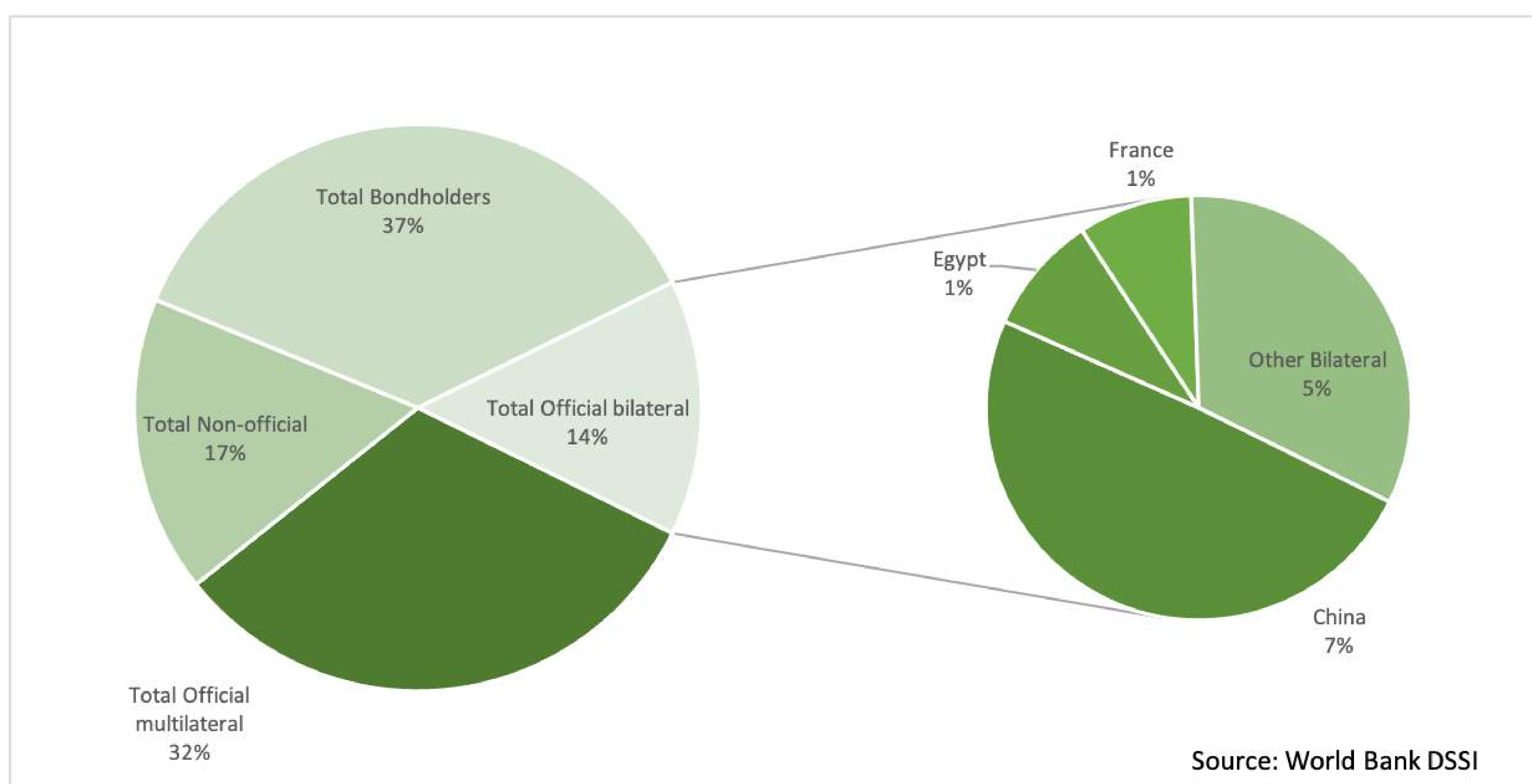
In 2019, the IMF assessed Ghana’s debt situation as sustainable because of good market access as well as the country’s aforementioned commitment to macro-financial stability.¹²³ Reinforcing this assessment is Ghana’s Fiscal Responsibility Act, which calls on the government to ensure the fiscal deficit does not exceed 5% of GDP.¹²⁴ However, Parliament has suspended the implementation of the act for the 2020 financial year due to the ongoing COVID-19 pandemic.¹²⁵ The IMF forecasts Ghana’s fiscal deficit to increase to 16.4% in 2020, the highest rate amongst any country analysed for this report (NB: the AfDB assessment is different – Sudan is highest for that analysis).

Ghana’s commitment to greater data transparency – reflected in the Rights to Information Law that was passed in 2020 – has earned it one of the highest scores in the Debt Transparency Index. A broad – although incomplete – range of fiscal and debt data is available on the Ministry of Finance website, whilst the country also produces a publicly available debt management strategy and is a signatory to the Open Government Partnership, publishing all government contracts for public access.

Chinese Debt Exposure

Chinese credit has declined in importance in Ghana since 2011: Ghana’s debt to China halved to 8.2% of total external debt stocks as of 2017, with the World Bank and the private sector emerging as the country’s biggest creditors.¹²⁶ In addition to the aforementioned market financing initiatives, this is due to a decrease in the absolute stock of Chinese debt as the country’s loans to Ghana approach maturity. In practical terms, the largest Chinese-financed projects in Ghana were constructed in the late 2000s and early 2010s, including the Bui Dam (totalling \$673 million) and a gas processing plant (\$850 million), meaning Ghana is close to repaying the associated loans.¹²⁷

Figure 7: Breakdown of Ghana’s debt stocks



GHANA

Current Financing Challenges

WHAT DOES GHANA STILL NEED TO FINANCE?
SOME EXAMPLES:

ACCESS TO ELECTRICITY FOR 18% OF THE POPULATION
ACCESS TO DRINKING WATER FOR 64% OF THE POPULATION
ACCESS TO INTERNET FOR 62% OF THE POPULATION
IMPROVING PORT INFRASTRUCTURE BY 22% TO REACH CHINESE LEVELS
IMPROVING ROAD INFRASTRUCTURE BY 48% TO REACH CHINESE LEVELS



Although Ghana is classified as a middle-income country, as noted above the IMF does assess Ghana's debt position. Despite its pre-pandemic debt assessment, the IMF has revised its assessment of Ghana in late 2020 to at high risk of debt distress. The Jubilee Debt campaign has also classified Ghana as being IN a debt crises. However, as is also clear from above, Ghana has some significant financing needs in order for the population to achieve basic standards of life and poverty reduction, in particular ensuring access to water and internet, some of which may not be met through domestic financing alone.

The Ghanaian government devotes a significant share of expenditure to servicing debt, with debt interest accounting for a quarter of total government spending as of 2018 (its lowest since 2015). It has the highest relative cost of debt service out of the all countries analysed in this report. At over quadruple the share of health spending, debt service could represent a potentially high opportunity cost IF the projects being funded by loans are not helping raise citizen's standards of living or generating a return. Indeed, the country's interest bill has grown over three-fold to 6.15% in 2018 since the early 2010s – due to a greater reliance on commercial rather than concessional loans.¹²⁸

Since the late 2010s, Ghana has embarked on market financing by issuing Eurobonds to diversify funding sources and reduce dependence on aid. However, as a consequence, the country has become increasingly vulnerable to fluctuations in investment appetite. In particular, the depreciation of the Ghanaian cedi by 17.4% against the dollar in year-on-year terms as of 2019 has made Ghana's dollar-denominated external debt – and by extension the cost of serving this debt – relatively more expensive. This could have contributed to higher yields because investors demand greater compensation for rising debt vulnerability.¹²⁹ For these reasons, the IMF has concluded that Ghana's risk of debt distress is high, while the Jubilee debt campaign predicts a debt crisis for Ghana in 2020.

The COVID19 Impact

The pandemic is expected to slow economic growth in Ghana down to 1.2% in 2020 in line with the African Development Bank's 'worst case' scenario. Partly this is because Ghana has made a robust economic response to the pandemic - by September 2020, the government in Ghana had budgeted approximately \$1.9 billion (2.9% of GDP) to mitigate these effects and also for Covid-19 health needs. This included social assistance that was intended to reach approximately 11.2 million people (3.6% of the population) through the Livelihood Empowerment Against Poverty cash assistance programme. The government also subsidized utility bills for several months as well as creating a trust fund and a private sector fund to mitigate the impact on livelihoods and businesses.¹³⁰

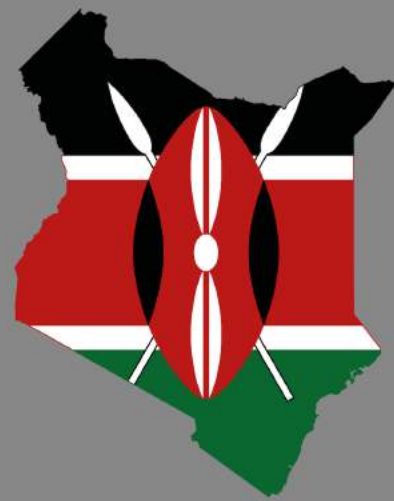
GHANA

Furthermore, overall effects of Covid-19 are not believed to be as severe as in countries that are heavily dependent on vulnerable economic activities such as oil production or tourism.¹³¹ The impact on foreign exchange, for example, is mixed due to the relative diversification of Ghana's key exports: the country remains commodity-dependent, yet the three biggest commodities – gold, crude oil and cocoa beans – belong to different sub-sectors despite collectively accounting for 80% of total export value.¹³² The robustness of gold exports in crises is forecast to offset the pandemic-induced fall in demand for oil and cocoa.¹³³ Nevertheless, public finances will be under greater pressure on the back of pandemic-related health and social security expenditure, meaning public debt could rise to 63.8% of GDP while the high fiscal deficit will remain unchanged in 2020.

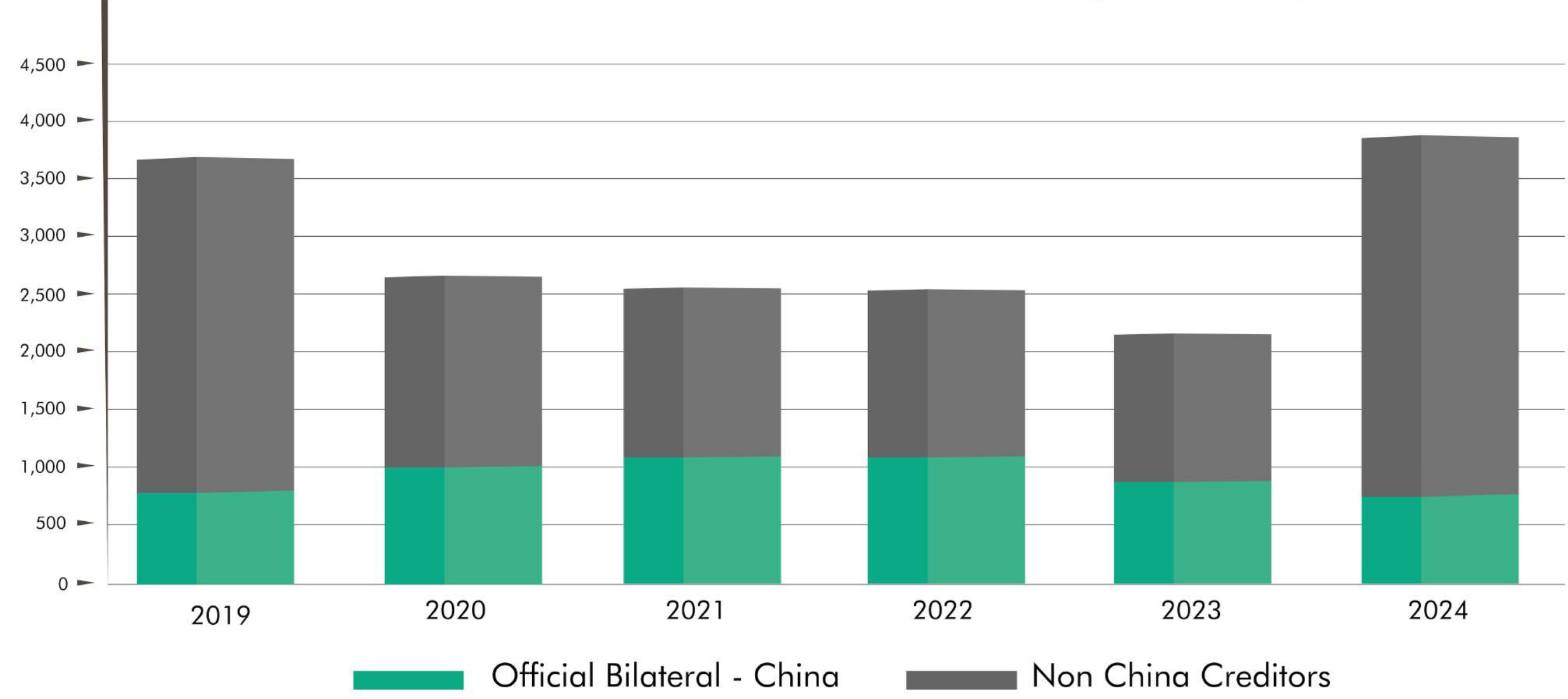
Ghana has also participated in the G20's Debt Suspension Initiative (DSSI), which will allow the country to receive debt service suspension by its official bilateral creditors totalling \$377.9 million by the end of 2020.¹³⁴ In April 2020, Ghana requested \$1 billion from the IMF from the interest-free Rapid Credit Facility (RCF) program.¹³⁵ This will need to be repaid within 10 years. These funds will be sent directly to Ghana's central budget in order to increase foreign reserves and improve the balance of payments.

In terms of credit worthiness, Fitch maintained Ghana's 'B' rating in October 2020 – which is below investment grade and highly speculative but suggests an ability to meet current financial commitments assuming no further economic shocks¹³⁶ – with a stable outlook.¹³⁷

KENYA COUNTRY OVERVIEW



PROJECTED DEBT SERVICE TO CHINA VS. OTHER CREDITORS (USD MILLIONS)

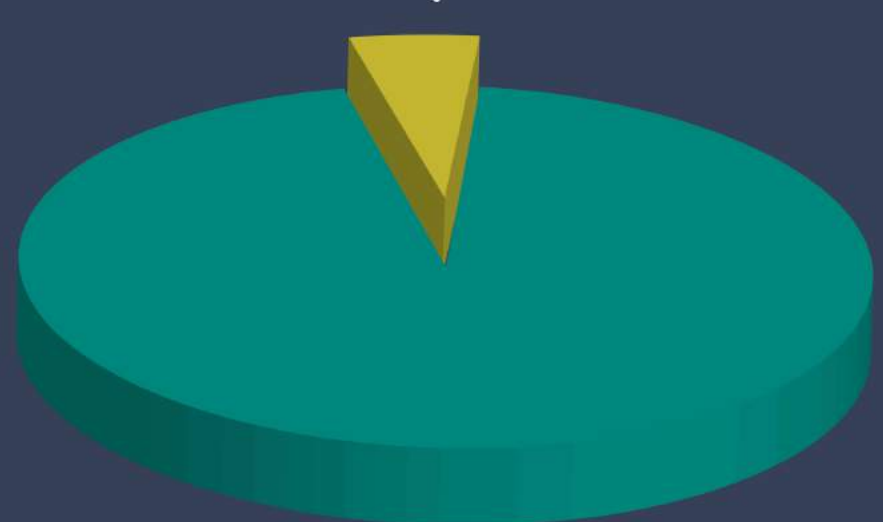


SHORT-TERM EXTERNAL DEBT

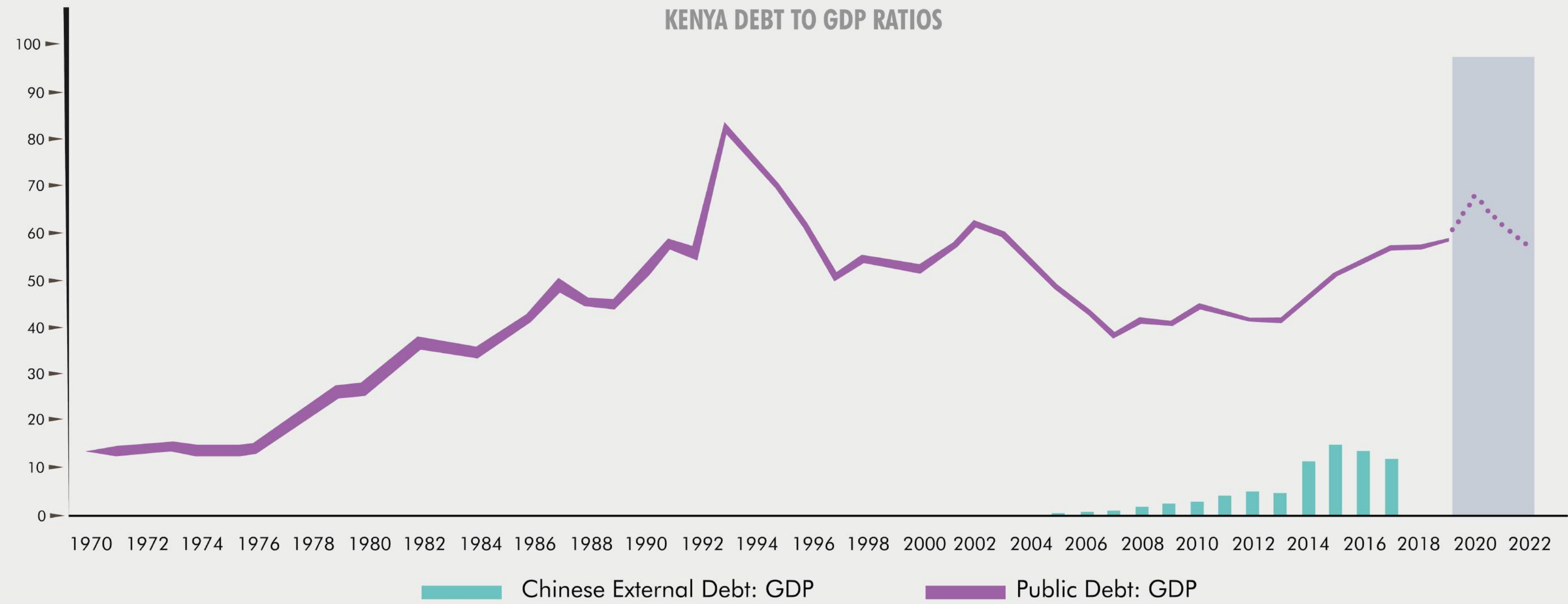


LONG-TERM EXTERNAL DEBT

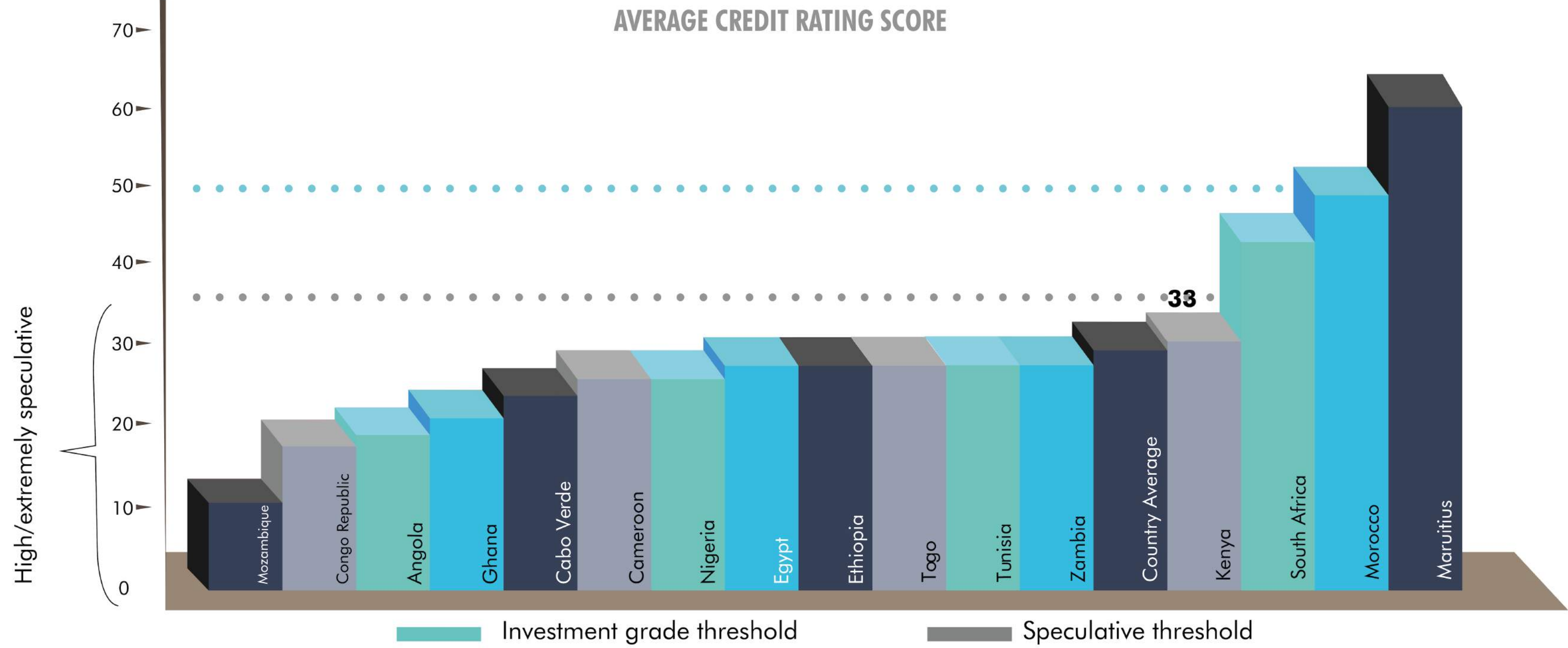
PRIVATE SECTOR (4%)



KENYA DEBT TO GDP RATIOS



AVERAGE CREDIT RATING SCORE



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? **Yes**
Has ratified Africa Continental Free Trade Agreement? **Yes**

KENYA

Debt History

Relative to its African partners, Kenya did not experience a deep debt crisis in the late 20th century, and was therefore not part of the Highly Indebted Poor Countries (HIPC) initiative, and debt cancellation by Chia over the period 2000-2018 was also small. The most unstable period Kenya experienced was between 1992 and 1993, when a serious drought affected coffee yields and the wider agricultural sector. The economy shrank two consecutive years and the government ran a double-digit fiscal surplus, whilst the public debt to GDP ratio increased from 54% to 83%.

\$13.66 million Chinese debt relief

Not Part of HIPC Initiative

KENYA IN 2021

6.1% economic growth

62% public debt to GDP ratio

-8.5% budget balance

7.5/8 DR's Debt Transparency Index

In recent years, Kenya has had fairly stable growth averaging 5.7% over the past five years on the back of a strong service sector¹³⁸ and improved consumption and investment.¹³⁹ The acceleration of public investment initiatives has also contributed to greater public debt accumulation, which stands at 57% of GDP as of 2018.¹⁴⁰ However, there has been a steady deterioration in Kenya's fiscal deficit since 2004, which peaked in 2016 at 8.5%. More recently, government cost cutting and attempts to raise taxes, including more stringent criteria to qualify for tax exemptions, have reduced the deficit slightly, to 7.4%, although this is still not considered sustainable by some creditors.¹⁴¹

In 2019, the IMF assessed the Kenyan debt situation to be sustainable, with a moderate risk of debt distress (thereby outperforming most of the African countries surveyed in this report).¹⁴² The IMF did not see the rising debt as a major source of concern because of its association with productive infrastructure investment aimed at promoting sustainable growth.¹⁴³ As of 2019, despite the relatively high share of external debt, which accounts for 53% of total debt stock,¹⁴⁴ Kenya's investment climate is generally favourable while its foreign reserves are adequate at \$8.5 billion.¹⁴⁵ However, the IMF is keen for Kenya to continue to cut government costs and raise more taxes, including by reviewing tax exemptions.¹⁴⁶ Kenya's tax revenue collection represented 15.1% of GDP in 2018, placing Kenya below the 2017 African average of 17.2%.¹⁴⁷

Kenya provides a thorough range of debt and fiscal debt statistics through its Ministry of Finance data portal and the country scored the highest amongst analysed countries in the Debt Transparency Index. For illustration, the types of projects Kenya has initiated with loans from China and the World Bank are shown below.

KENYA

Kenya





SUSTAINABLE
DEVELOPMENT

GOALS



THE WORLD BANK

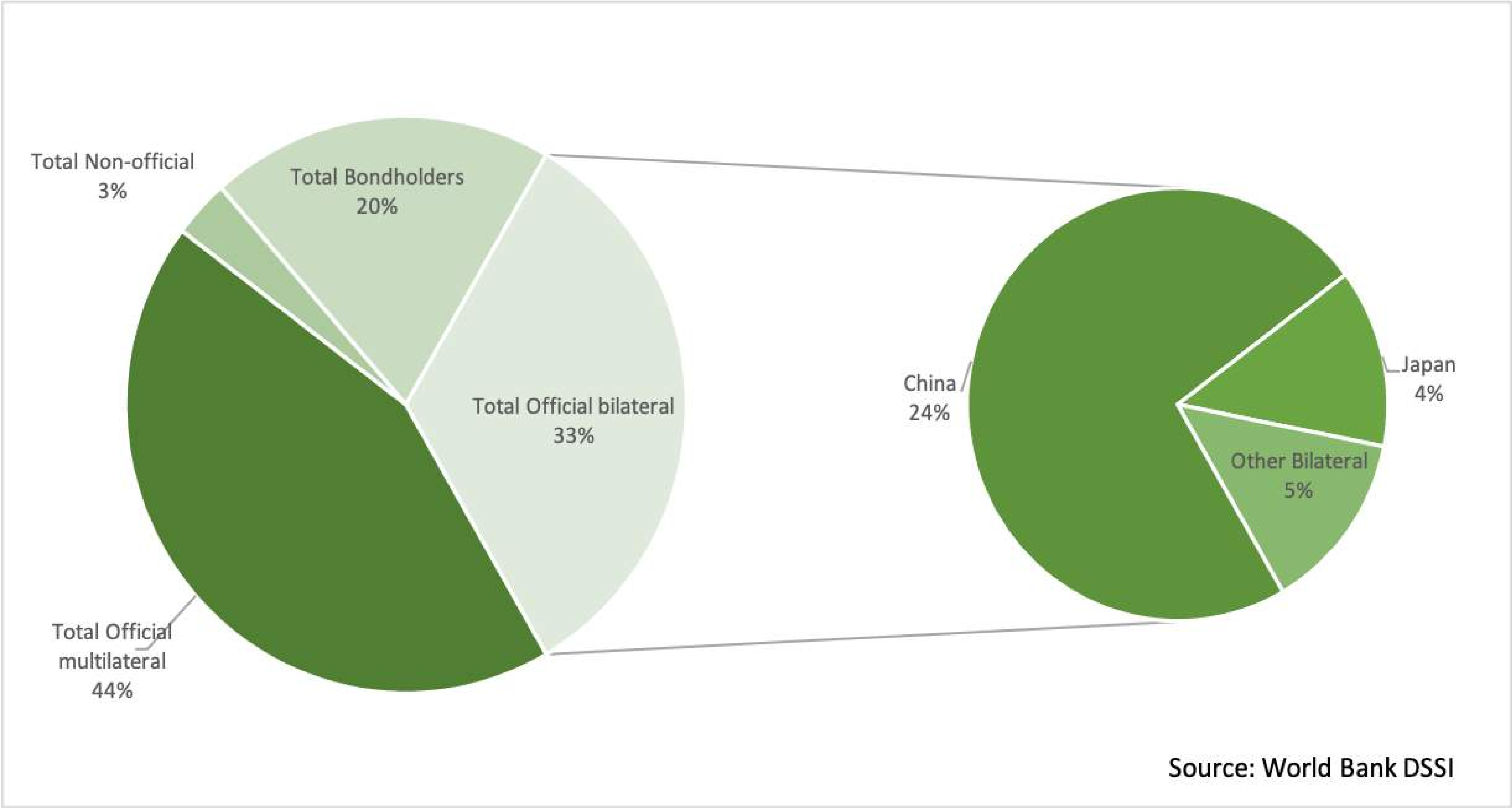
Project Name	\$ million	SDGs
Karimenu Dam Water Supply Project (2017)	229	
Kenya Nationwide Airborne Geophysical Survey (2017)	68	
151 Multisector Infrastructure Projects (2016)	600	

Project Name	\$ million	SDGs
Second Kenya Informal Settlements Improvement Project (2020)	165	
Kenya GPE COVID 19 Learning Continuity in Basic Education Project (2020)	10.8	
Kenya Inclusive Growth and Fiscal Management DPO 2 (2020)	1000	

Chinese Debt Exposure

Taking Kenya’s entire external debt into consideration, Chinese loans make up around a quarter of Kenya’s debt stock because of the substantial share of multilateral and commercial debt.¹⁴⁸ However, China is Kenya’s largest bilateral creditor, accounting for 78.3% of the latter’s official bilateral debt service. Key projects funded using Chinese loans include a railway line connecting Mombasa to Malaba (for \$5.1 billion) and several geothermal wells (for \$867 million).¹⁴⁹

Figure 8: Breakdown of Kenya’s debt stocks



KENYA

Current Financing Challenges

Although Kenya is classified as a middle-income country, as noted above the IMF does assess Kenya's debt position, and has in 2020 revised this to be at high risk of debt distress. According to the Jubilee debt campaign's assessment, Kenya is at risk of a public debt crisis in 2020. The Kenyan government devoted 14% of total government expenditure to paying the interest on its debt in 2018, nearly double its share of healthcare expenditure, which could represent a potentially high opportunity cost IF the projects being funded by loans are not helping raise Kenyan citizen's standards of living or generating a return. That said, Kenya still has some long-term financing needs in order for the population to achieve basic standards of life and poverty reduction, in particular ensuring access to water. It may or may not be able to meet these through domestic financing alone.

WHAT DOES KENYA STILL NEED TO FINANCE? SOME EXAMPLES:

- ACCESS TO ELECTRICITY FOR 25% OF THE POPULATION
- ACCESS TO DRINKING WATER FOR 41% OF THE POPULATION
- ACCESS TO INTERNET FOR 13% OF THE POPULATION
- IMPROVING PORT INFRASTRUCTURE BY 2% TO REACH CHINESE LEVELS
- IMPROVING ROAD INFRASTRUCTURE BY 10% TO REACH CHINESE LEVELS



The average interest rate on Kenya's external debt commitments has risen in recent years, growing over four-fold to 5.8% in 2018 compared to 2013. This can be attributed to the greater use of commercial debt as a financing tool, representing a third of Kenyan external public debt as of late 2019.¹⁵⁰

Since the mid-2010s, Kenya has issued sovereign Eurobonds and syndicated loans, raising over \$7 billion.¹⁵¹ As a result, concessional loans – comprising bilateral and multilateral loans that accounted for 90.7% of total external debt in mid-2013 – have since declined in relative importance within Kenya's loan portfolio. In line with this development, the treasury amended regulations, changing the definition of the national debt ceiling from 50% of GDP to a larger absolute value of 9 trillion shillings.¹⁵² This gives Kenya more scope for commercial debt financing but also exposes the country to heightened risk, including vulnerability to exchange rate fluctuations.¹⁵³ Nevertheless, Kenya's credit rating is the fourth strongest amongst the countries analysed in this guide.

The COVID19 Impact

Due to the COVID-19 pandemic, by September 2020 the government in Kenya had budgeted \$1.7 billion (2% of GDP) on Covid-19 health and economic recovery. Social assistance to the vulnerable was largely delivered through existing cash transfer programmes that were intended to reach 1 million people across the country, 1.9% of the population. Kenya has also supported key sectors with extra financing as a stimulus package, and made reductions in corporate and income tax.¹⁵⁴ Despite this, Kenya's economic growth is forecast to slow to 0.6% in 2020 according to the African Development Bank's 'worst case' scenario. Kenya is not heavily dependent on pandemic-stricken economic activities, such as oil production (being a net petroleum importer),¹⁵⁵ tourism (accounting for 18% of exports, above the continental average but below the highest quartile) or remittances (representing less than 4% of GDP).¹⁵⁶ Efforts to rein in the deficit have to be put on hold, however, because higher health expenditure and stimulus packages are projected to raise the fiscal deficit to 8.4% of GDP - the third highest amongst all countries analysed in this guide - while public debt is expected to rise to 68% of GDP in 2020.

KENYA

In terms of credit worthiness, Fitch maintained Kenya's 'B+' rating in June 2020 – which is below investment grade and highly speculative but suggests an ability to meet current financial commitments assuming no further economic shocks¹⁵⁷ – though the outlook is negative.¹⁵⁸

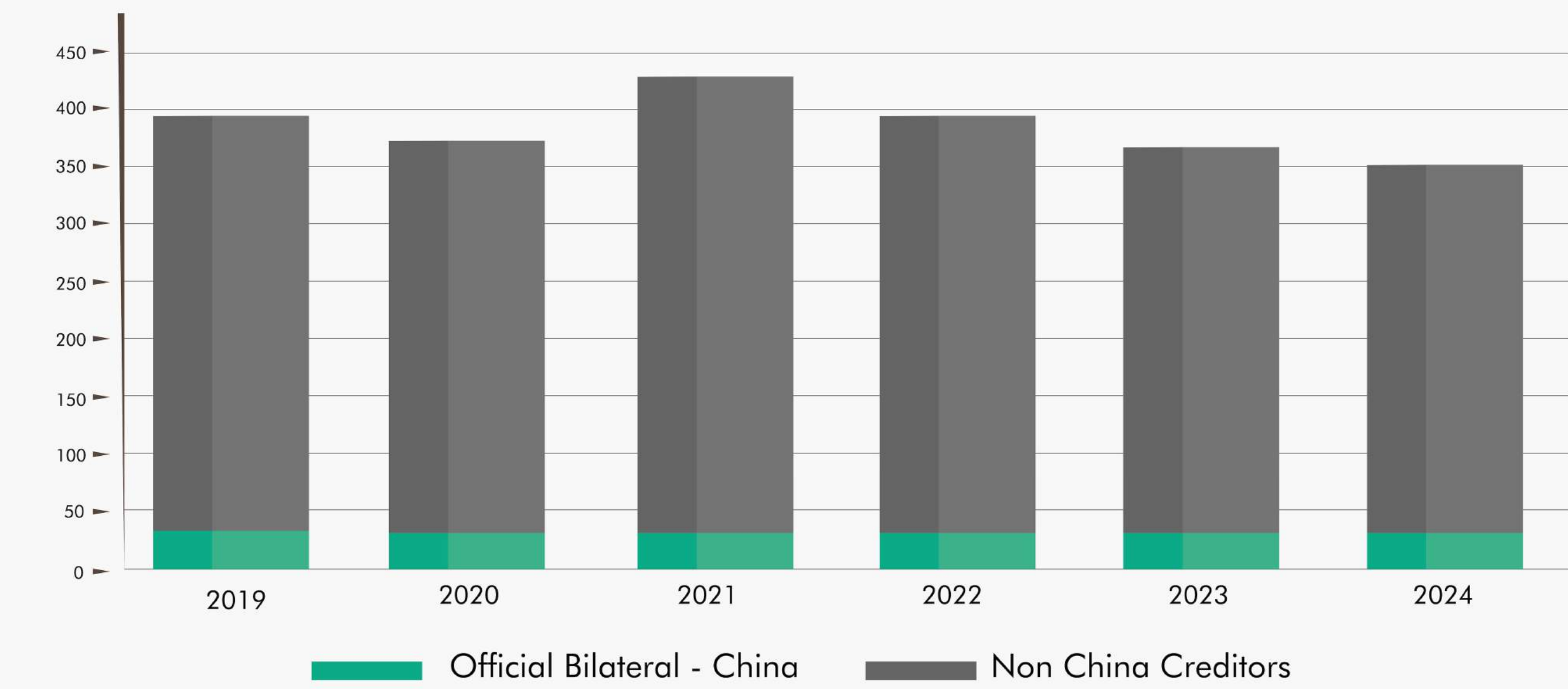
After initially declining, in late 2020 Kenya decided to participate in the G20's Debt Suspension Initiative (DSSI), which would allow the country to receive debt service suspension by its official bilateral creditors – including China – amounting to \$630.8 million by the end of 2020.¹⁵⁹ In April 2020, Kenya took out an interest-free loan of \$739 million from the IMF in emergency funding as part of its Rapid Credit Facility program, which will need to be repaid within 10 years. The IMF suggests this will fill 35% of Kenya's immediate COVID19 financing needs.¹⁶⁰

MAURITANIA

COUNTRY OVERVIEW



PROJECTED DEBT SERVICE TO CHINA VS. OTHER CREDITORS (USD MILLIONS)

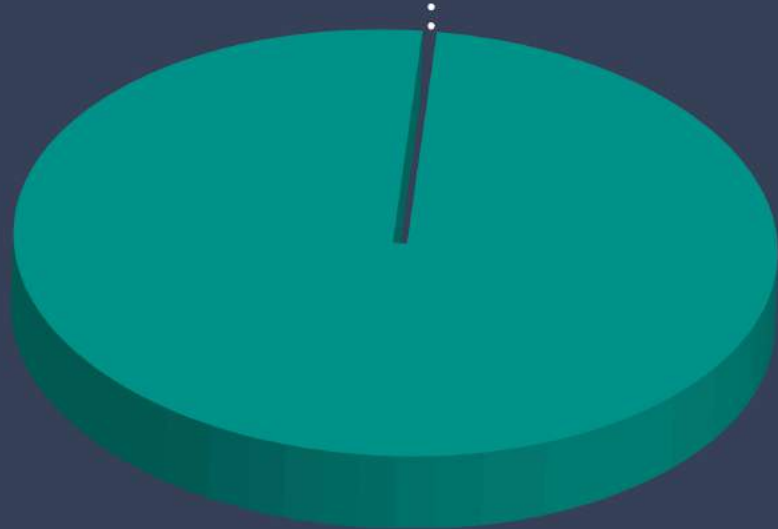


SHORT-TERM EXTERNAL DEBT



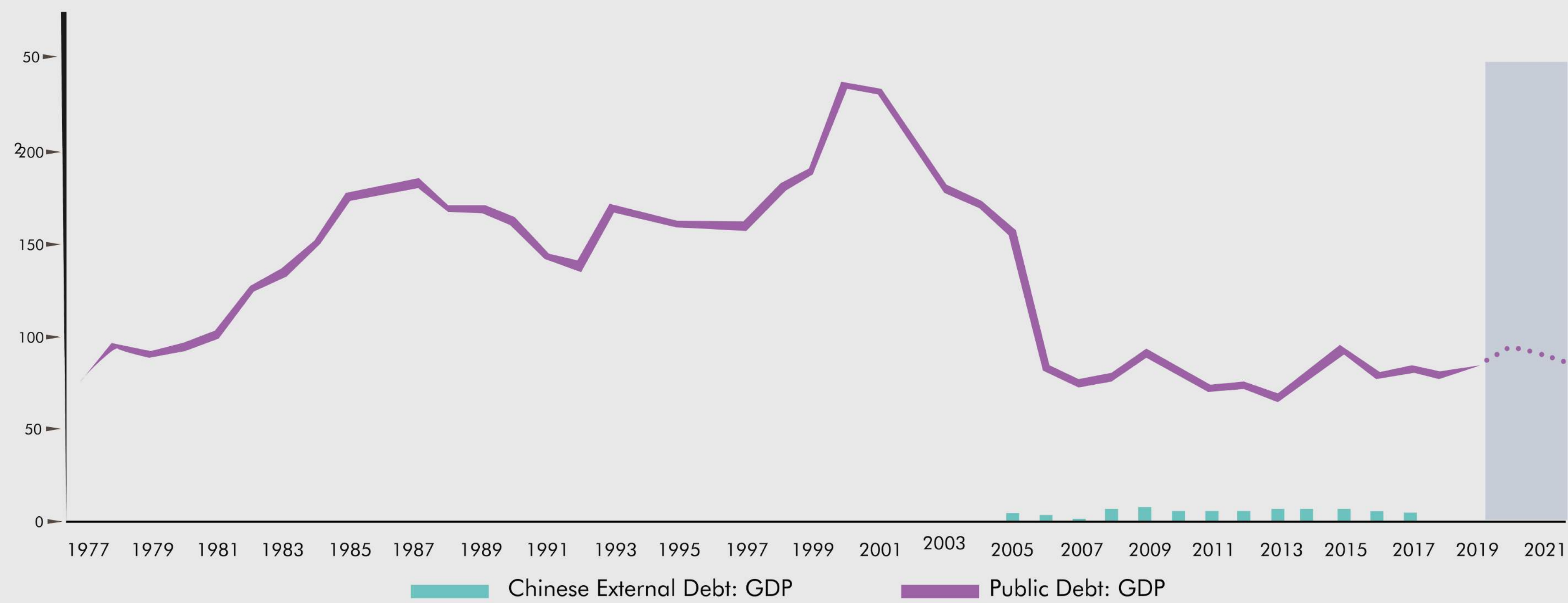
LONG-TERM EXTERNAL DEBT

PRIVATE SECTOR (0%)



PUBLIC SECTOR (100%)

MAURITANIA DEBT TO GDP RATIOS



CHINA DEBT: GDP RATIOS



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? **Yes**
Has ratified Africa Continental Free Trade Agreement? **Yes**

MAURITANIA

Debt History

Mauritanian debt in the late 1970s grew initially for industrial expansion, but as interest rates increased globally from the oil price shock in 1979, debt began to grow rapidly. Alongside dealing with a difficult IMF and World Bank Structural Adjustment Programs from 1985 onwards, the country struggled regularly with droughts and a border conflict with Senegal, which cut growth significantly.¹⁶¹ Thus, debt peaked at 234% of GDP in 2000, representing one of the highest debt to GDP ratios in the world. It was only brought down participation in the HIPC initiative, which wrote off approximately half of Mauritania's debt.

\$622 million committed debt relief
through HIPC

\$61 million Chinese debt relief

\$4 million UK debt relief

\$2 million USA debt relief

MAURITANIA IN 2021

4.2% economic growth

90% public debt to GDP ratio

-2.6% budget balance

3/8 DR's Debt Transparency Index

Since then, Mauritania's macroeconomic performance has improved but remains volatile, with annual GDP growth averaging 3.6% in 2015-2019 due to fluctuations in the prices of key mineral exports.¹⁶² Since 2016, the country has recorded an annual fiscal surplus, which stands at 2.8% of GDP in 2019, thanks to policy changes aimed at strengthening public finances.¹⁶³ The public debt to GDP ratio, having risen to nearly 100% of GDP in the late 2000s, has since declined to 79% as of 2018.

The IMF has concluded that Mauritania remains at high risk of debt distress because of vulnerable terms of trade. Nevertheless, the IMF also thinks the debt situation is moderately sustainable, because of recent efforts involving better tax administration and higher VAT.¹⁶⁴ Additionally, the country's external debt portfolio consists mostly of public debt with concessional or semi-concessional terms, representing 84% of total external debt as of late 2016.¹⁶⁵ To some extent, this insulates the country's macro-financial indicators from global shocks affecting exchange rates.

Mauritania scored joint bottom in Development Reimagined's Debt Transparency Index, as the government does not provide an effective online data portal, nor does it have a publicly available debt strategy, provide government contracts, or allow public access to government statistics and data.

Hence, as shown below, it is challenging to find details of projects financed in the country with loans from China, whereas those from the World Bank are available on the Banks' portals, as shown below.

MAURITANIA

Mauritania



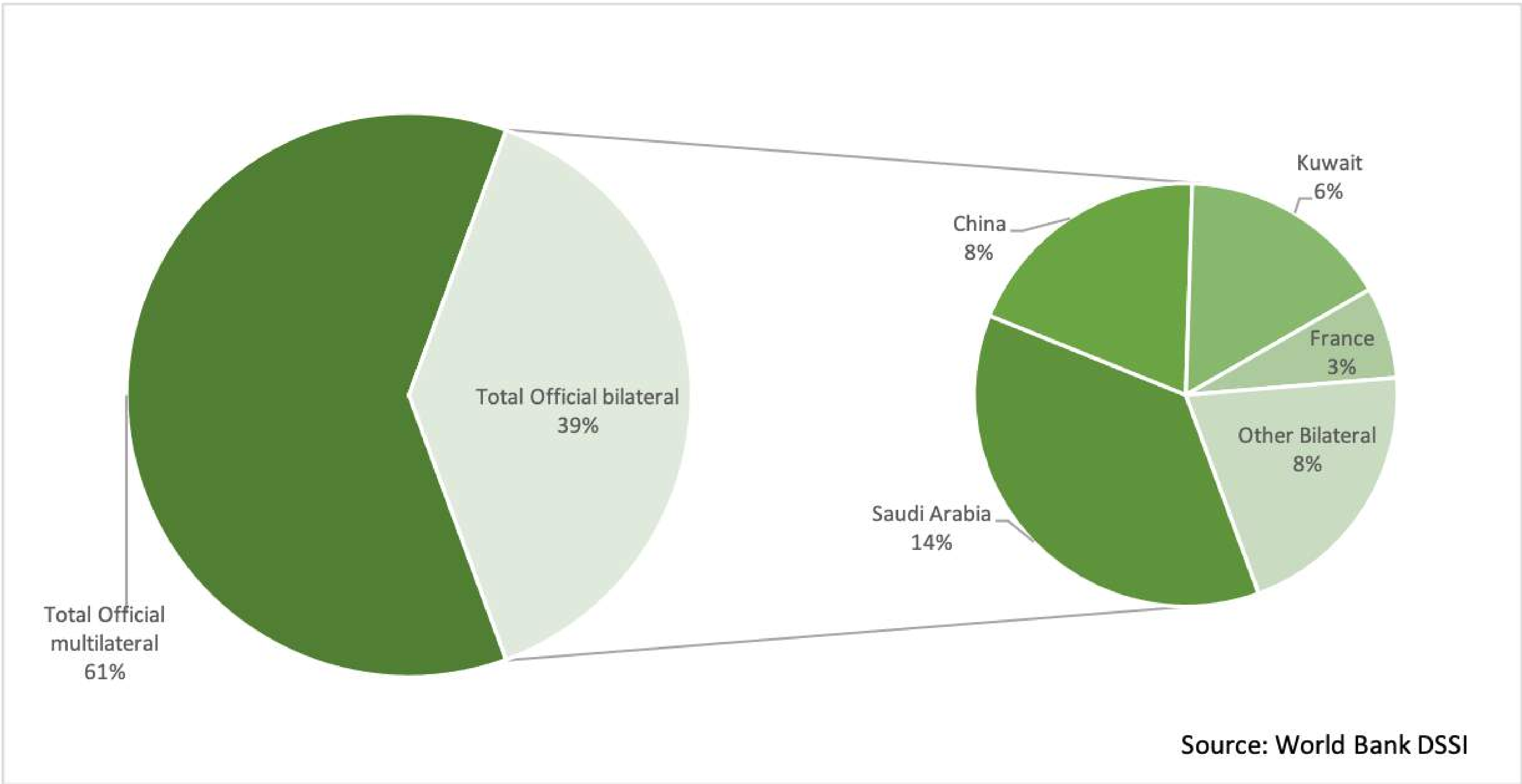
Project Name	\$ million	SDGs
Unknown (2014)	17	?
Unknown (2013)	17	?
Unknown (2010)	9	?

Project Name	\$ million	SDGs
Basic Education Sector Support Project - Phase 2 (2020)	52	4 QUALITY EDUCATION
Water and Sanitation Sectoral Project (2020)	49	6 CLEAN WATER AND SANITATION
Decentralization and Productive Intermediate Cities Support Project (2020)	71	8 DECENT WORK AND ECONOMIC GROWTH

Chinese Debt Exposure

Mauritania is part of China’s Belt and Road Initiative, but Chinese loans are not a major part of the country’s debt portfolio.¹⁶⁶ Chinese credit constituted 8% of Mauritania’s total external debt stocks as of 2017. China loaned about \$300 million to Mauritania for the expansion of its port in 2008, which remains the largest project in the country since 2000.¹⁶⁷ The country’s main creditors are key multilateral institutions (including the World Bank and the IMF) at about 48% of Mauritanian external debt, followed by Kuwait (26%) and Saudi Arabia (12%).¹⁶⁸

Figure 9: Breakdown of Mauritania’s debt stocks



MAURITANIA

Current Financing Challenges

The Jubilee debt campaign predicts a debt crisis in Mauritania in 2020, and as noted above, the IMF classifies Mauritania as in high risk of debt distress. Stress tests conducted by the IMF reveal that Mauritanian debt is vulnerable to negative shocks that influence exports, commodity prices and growth,¹⁶⁹ which are precisely the indicators under threat due to COVID19. Despite recent efforts to increase domestic taxes, the increase in borrowing in the mid-2010s to finance infrastructure investment continues to affect debt service costs,¹⁷⁰ which have doubled to 5.5% of GNI in 2018 compared to 2013.

However, as illustrated, Mauritania has some significant long-term financing needs in order for the population to achieve basic standards of life and poverty reduction, in particular ensuring access to electricity and the internet and even providing basic road infrastructure. It is unlikely to be able to meet these through domestic financing alone.

WHAT DOES MAURITANIA STILL NEED TO FINANCE?

SOME EXAMPLES:

ACCESS TO ELECTRICITY FOR 55% OF THE POPULATION

ACCESS TO DRINKING WATER FOR 29% OF THE POPULATION

ACCESS TO INTERNET FOR 81% OF THE POPULATION

IMPROVING PORT INFRASTRUCTURE BY 43% TO REACH CHINESE LEVELS

IMPROVING ROAD INFRASTRUCTURE BY 275% TO REACH CHINESE LEVELS



On the other hand, some analysts believe that one factor likely to work in Mauritania's favour is its relatively strong governance compared to other countries in the region. Debt vulnerabilities could arguably be mitigated once economic growth returns after the pandemic as long as Mauritania is prudent.

The COVID19 Impact

Mauritania's own economic response to the pandemic has included including financial assistance for 300,000 vulnerable households, subsidization of utility bills for several months, price controls for essential food products and the suspension of taxes on certain activities. In total, these assistance programmes were intended to reach 1.8 million people, 41% of the population.¹⁷¹ The government in Mauritania budgeted \$290 million for these by September 2020, equivalent to 5.5% of GDP.

Hence, the COVID-19 pandemic is expected to push Mauritania into recession for the first time since 2008, with economic growth forecast at -1.1% in 2020 under the African Development Bank's 'worst case' scenario. Foreign exchange earnings are influenced by the prices of iron and copper, which collectively account for about a third of export value.¹⁷² The pandemic-induced fall in global demand for these commodities is expected to worsen prospects for public and foreign direct investment.¹⁷³ Rising budgetary pressures meanwhile are projected to turn Mauritania's fiscal surplus into a deficit amounting to 4% of GDP while the public debt to GDP ratio could reach a 10-year high of 94%.

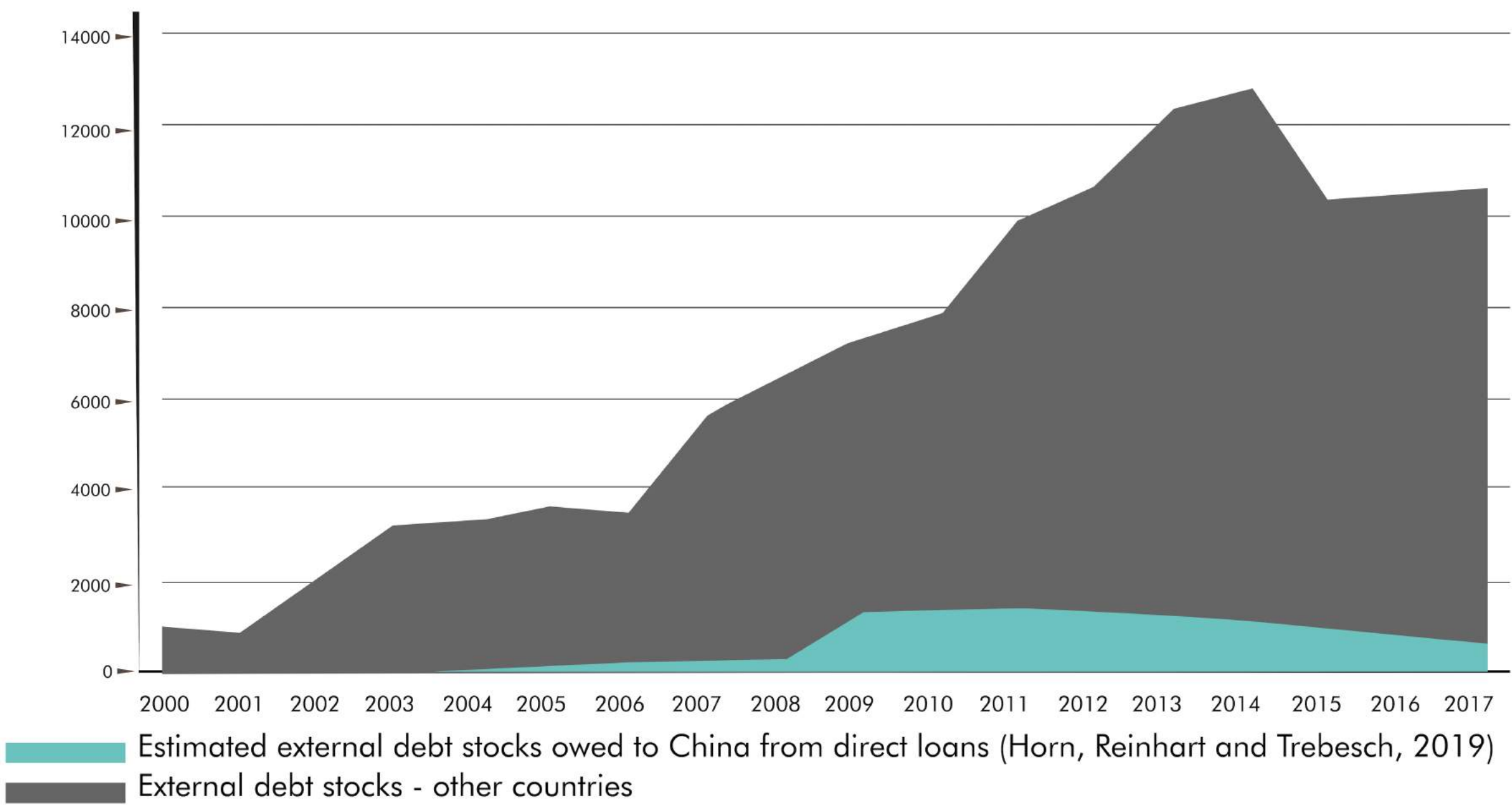
Mauritania has participated in the G20's Debt Suspension Initiative (DSSI), which would allow the country to receive debt service suspension by its official bilateral creditors – including China – totalling \$90.8 million by the end of 2020.¹⁷⁴ In April 2020, Mauritania sought and was approved for \$130 million from the IMF under the interest-free Rapid Credit Facility (RCF) program which will need to be repaid within 10 years. Addressing about a third of Mauritania's financing gap, the RCF funds are expected to be channelled directly to the central bank and subsequently lent to the treasury.¹⁷⁵

MAURITIUS

COUNTRY OVERVIEW



EXTERNAL DEBT STOCKS TO CHINA VS. OTHER COUNTRIES IN US MILLION

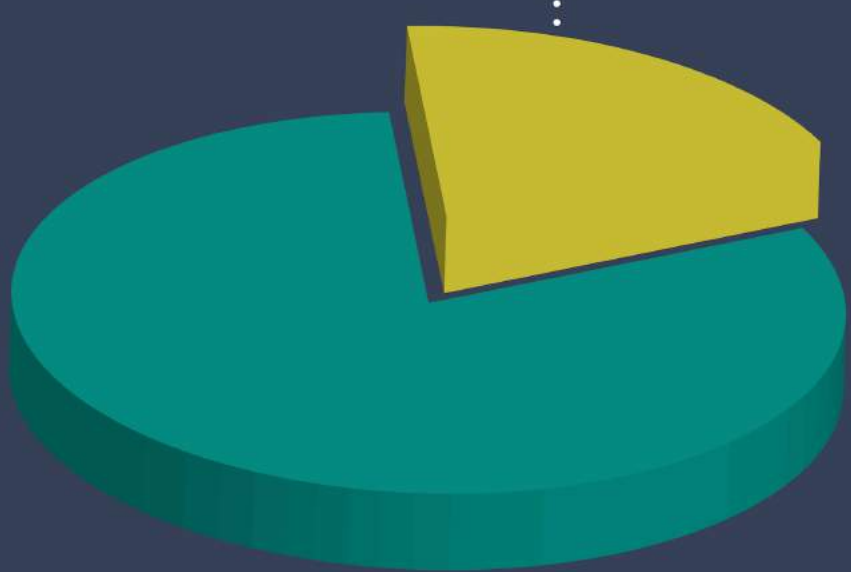


SHORT-TERM EXTERNAL DEBT



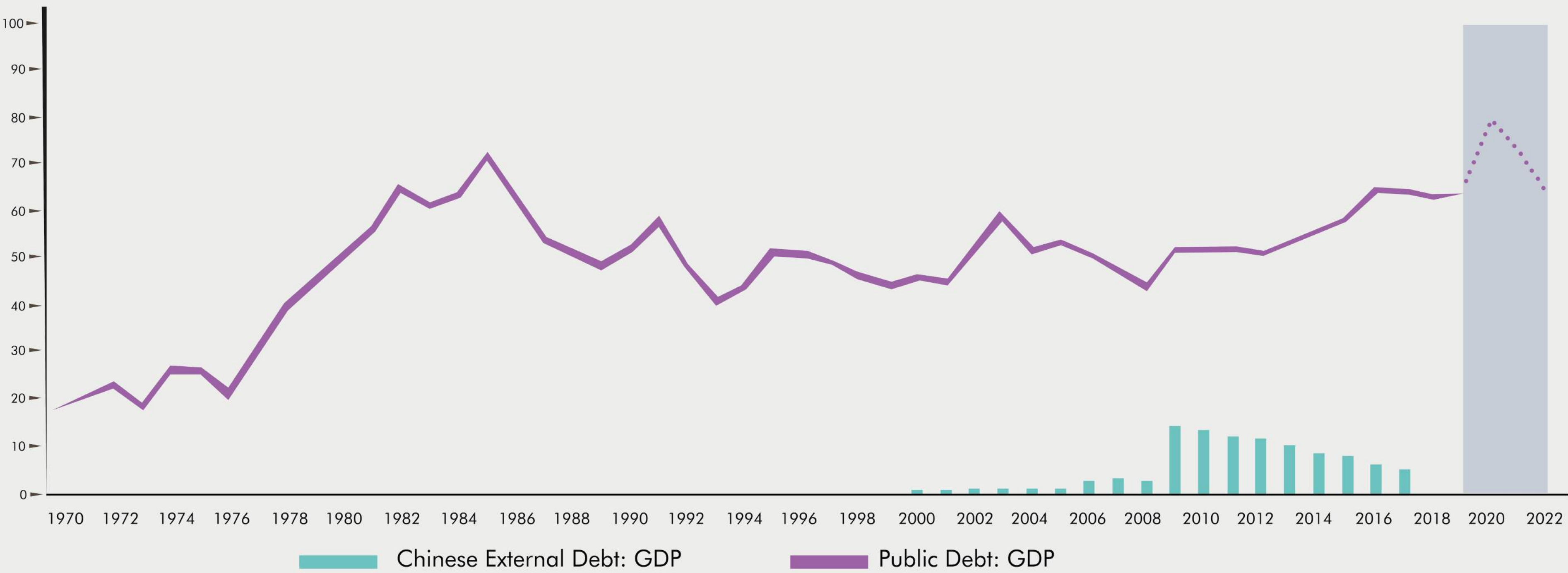
LONG-TERM EXTERNAL DEBT

PRIVATE SECTOR (23%)

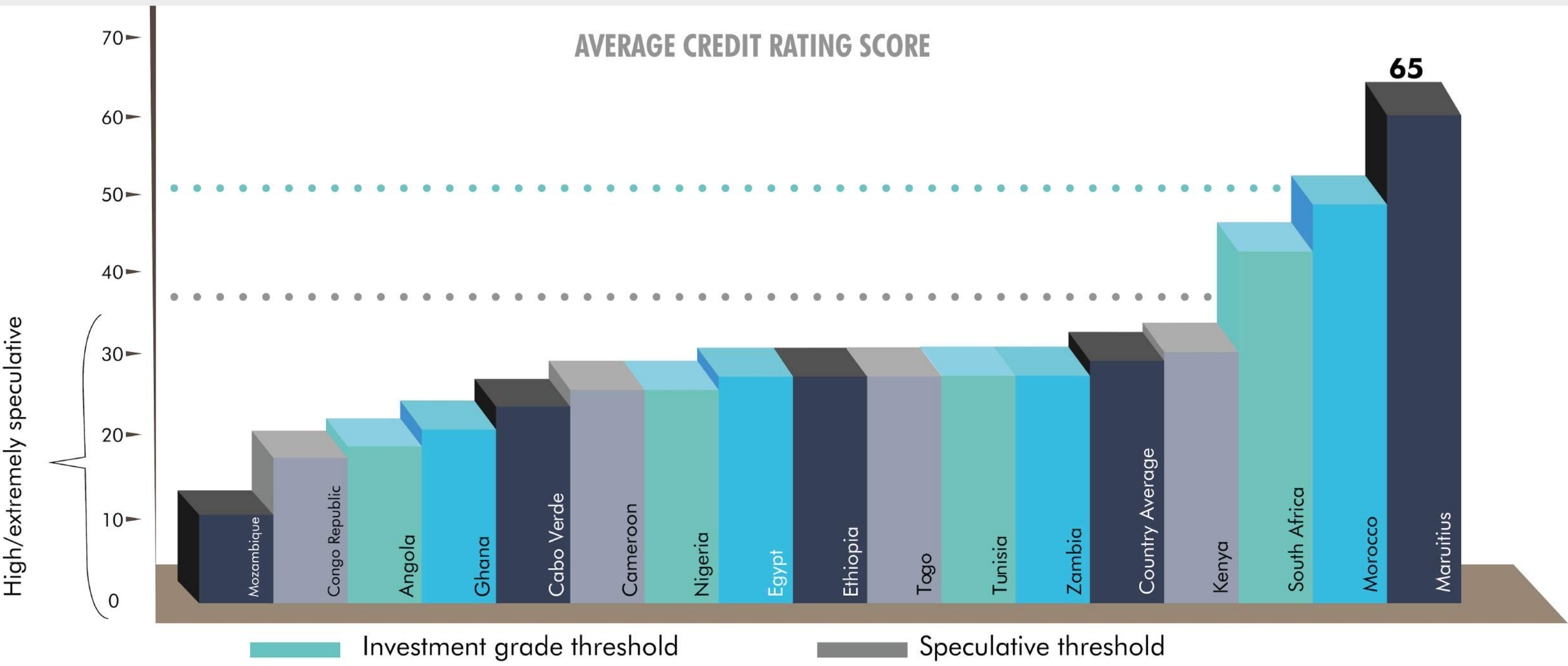


PUBLIC SECTOR (77%)

MAURITIUS DEBT TO GDP RATIOS



AVERAGE CREDIT RATING SCORE



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? NO
Has ratified Africa Continental Free Trade Agreement? Yes

MAURITIUS

Debt History

The public debt to GDP ratio of Mauritius increased significantly between 1970 and 1985, from 18% to 72%, the highest level in its history so far. One major cause of this was that since its independence, Mauritius adopted a development strategy of heterodox liberalization and diversification, which required investment and loans to expand its economy.¹⁷⁶

However, due to continued growth, since 1985, the ratio stabilized and remained below 65% of GDP. Hence, Mauritius was not part of HPIC and did not receive any debt cancellation from China over the 2000-2018 period.

Mauritius has a well-established legal and institutional framework to manage its public finance. Mauritius issued a Debt Management Strategy under its Public Debt Management Act in 2008, which set objectives for the management of government and public sector debt portfolio and “established risk control benchmarks and medium-term targets for the composition, currency mix, interest rate mix, maturity profile and relative size of the public sector debt.”¹⁷⁷ The Act set a ceiling for public sector debt relative to GDP. The starting ceiling point in 2008 was 60% of its GDP but the ratio has exceeded this ceiling point in 2015 with a 62.9% of GDP.

Mauritius has enjoyed steady economic growth since 2008, with an average growth rate of 3.8% a year, which led to high availability to pay debt service. According to the World Bank, Mauritius is classified as a high-income country and is one of only a few African countries eligible for sovereign loans from the International Bank for Reconstruction and Development.¹⁷⁸

In 2017, debt interest payments were equivalent to 7% of total expenditure, yet the rate by 2008 was 12%. For comparison, 10% of total government expenditure was allocated to the health sector in 2017, which facilitated the nation’s social security and helped achieve SDGs. Mauritius is not a signatory to the Open Government Partnership but has publicly provided government data on national budgets, public debt and circulars. The existence of a Debt Management Office and a publication of a medium-term debt strategy makes the country top-range in the Debt Transparency Index. Examples of projects Mauritius has utilised Chinese and World Bank loans for are shown below.

Mauritius



SUSTAINABLE DEVELOPMENT GOALS



THE WORLD BANK

Project Name	\$ million	SDGs
Unknown (2016)	7	?
Economic and Technical cooperation (2015)	7	8 DECENT WORK AND ECONOMIC GROWTH
Economic and Technical cooperation (2014)	8	8 DECENT WORK AND ECONOMIC GROWTH

Project Name	\$ million	SDGs
Mauritius Statistical Capacity Building Project (2017)	0.35	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
MU -Second Public Sector Performance DPL (2013)	20	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Mauritius Second Private Sector Competitiveness DPL (2013)	15	8 DECENT WORK AND ECONOMIC GROWTH

MAURITIUS IN 2021

5.9% economic growth

73% public debt to GDP ratio

-6.7% budget balance

5/8 DR's Debt Transparency Index

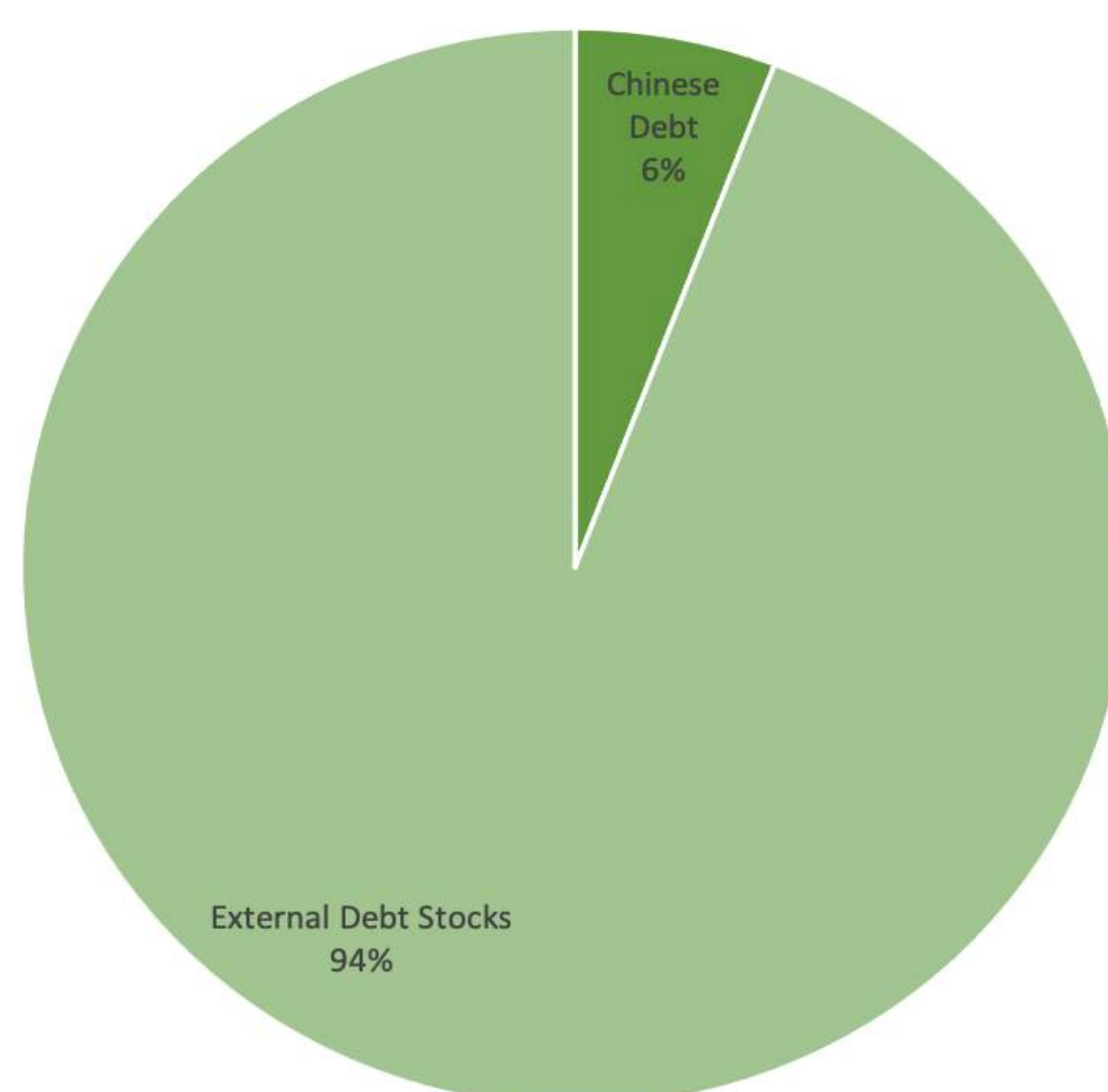
MAURITIUS

Chinese Debt Exposure

Chinese debt in Mauritius's financing portfolio has remained small over the past two decades, with an average rate of Chinese debt relative to total external debt stocks at 7.41%. From 2008 to 2009, the estimated external debt stocks owed to China increased fivefold, from US\$277 million to US\$1321 million. One major reason was that China issued several large-scale loan projects in 2009 in the country according to the data from JHU's China Africa Research Initiative.¹⁷⁹ Notably, in 2009, China lent Mauritius US\$260 million to expand the nation's international airport along with an interest free loan of 40 million yuan (US\$5.9 million) and a 30-million-yuan grant. China also pledged to speed up construction of a China-funded US\$730 million Economic and Trade Zone north of the capital.¹⁸⁰

Mauritius's Chinese debt to GDP ratio decreased every year since 2009. In 2016, China wrote off Mauritius' debts amounting to Rs 450 million (US\$11 million), which further brought down the country's external debt. Although Mauritius has a good relationship with China, and recently agreed a Free Trade Agreement with China (October 2019), Mauritius has not signed a BRI MOU with China.

Figure: Chinese debt as a proportion of Mauritius's total external debt stock



Source:
The World Bank, Christoph Trebesch et
al. Chinese Debt Stock Database

Current Financing Challenges

Although now classified as a high-income country by the World Bank and IMF, Mauritius has some significant outstanding financing needs for meeting the SDGs – in particular ensuring access to electricity and the internet for the population.

WHAT DOES MAURITIUS STILL NEED TO FINANCE?
SOME EXAMPLES:

ACCESS TO ELECTRICITY FOR 63% OF THE POPULATION
ACCESS TO INTERNET FOR 73% OF THE POPULATION
IMPROVING PORT INFRASTRUCTURE BY 9% TO REACH CHINESE LEVELS



MAURITIUS

However, the IMF does not classify Mauritius's debt sustainability position. The Jubilee debt campaign only predicts a risk of *private* debt crisis in 2020. This is mainly due to the larger proportion of long-term private sector debt in its financing portfolio, which accounted for 43% of its total debt stocks, compared to the public sector only at 13%. In terms of creditworthiness, Moody's credit rating of the country is at Baa1, but with a negative outlook due to the COVID-19 outbreak.¹⁸¹ This means the country's credit rating is the strongest amongst the countries analysed in this guide, which may mean it will be able to get sufficient future finance to meet its needs, albeit at a higher interest rate than many other countries.

The COVID19 Impact

Due to the pandemic, there has been a downgrade in Mauritius' economic performance, with the economy forecast to shrink -6.8% in 2020. The COVID-19 pandemic has severely affected key sectors in Mauritius' economy, including the tourism industry, communications, service, and manufacturing sector.¹⁸² Nevertheless, the government has tried to respond. By September 2020 the government in Mauritius had budgeted \$298 million on Covid-19 mitigation, 2.1% of GDP. Their social assistance programmes included providing food assistance to those on the social register and were intended to reach 35 thousand people, 2.8% of the population. It also established the COVID-19 Solidarity Fund with the donations from the private sector to mobilize resources.¹⁸³

As the service-based sector accounts for 76% of GDP, the social distancing and lockdown as a result of COVID-19 challenge the country's debt sustainability. Alongside the rising inflation rate from 0.5% in 2019 to 4.5% in 2020 as well as the fall in tourism revenues, the deterioration of the current fiscal balance is expected.¹⁸⁴ African Development Bank forecasts a 'worst-case' fiscal deficit of 10.9% of GDP in 2020 and 8% of GDP in 2021, bringing into question the debt performance of the country. The Public debt to GDP ratio is forecast to peak at 80% by the end of 2020, the highest rate it has ever reached. Economic growth is forecast to return to Mauritius at a rate of 5.9% in 2021, IF the tourism industry and service sector are able to rebound (post-pandemic), which will further help the country mobilize resources to deal with its debt payments.

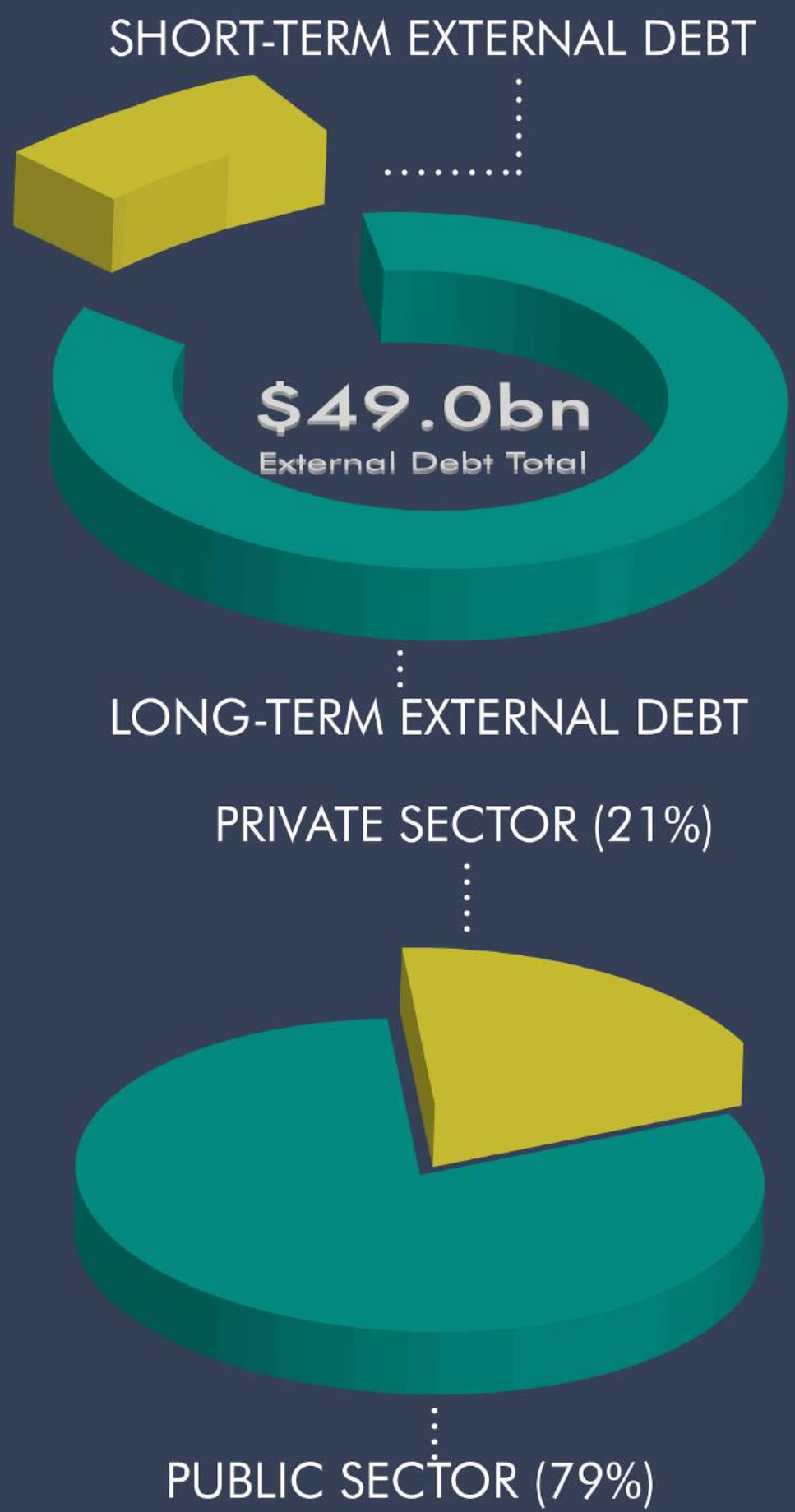
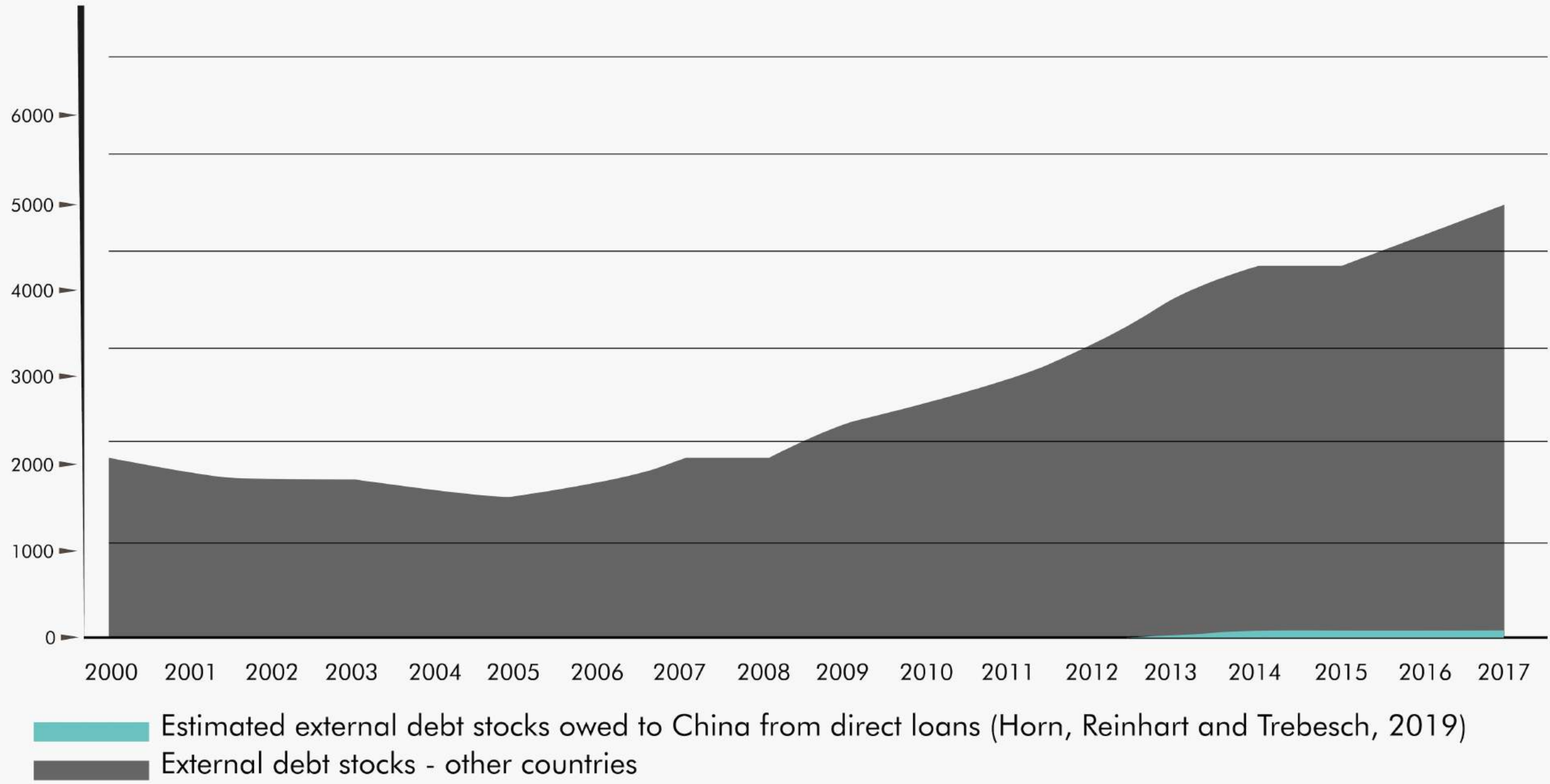
Finally, as a high-income country, Mauritius is not eligible for the G20's Debt Suspension Initiative (DSSI) as the DSSI only applies to IDA countries and all least developed countries defined by the United Nations.¹⁸⁵ There is significant uncertainty over whether Mauritius can receive debt service payment suspension from any of its creditors.

MOROCCO

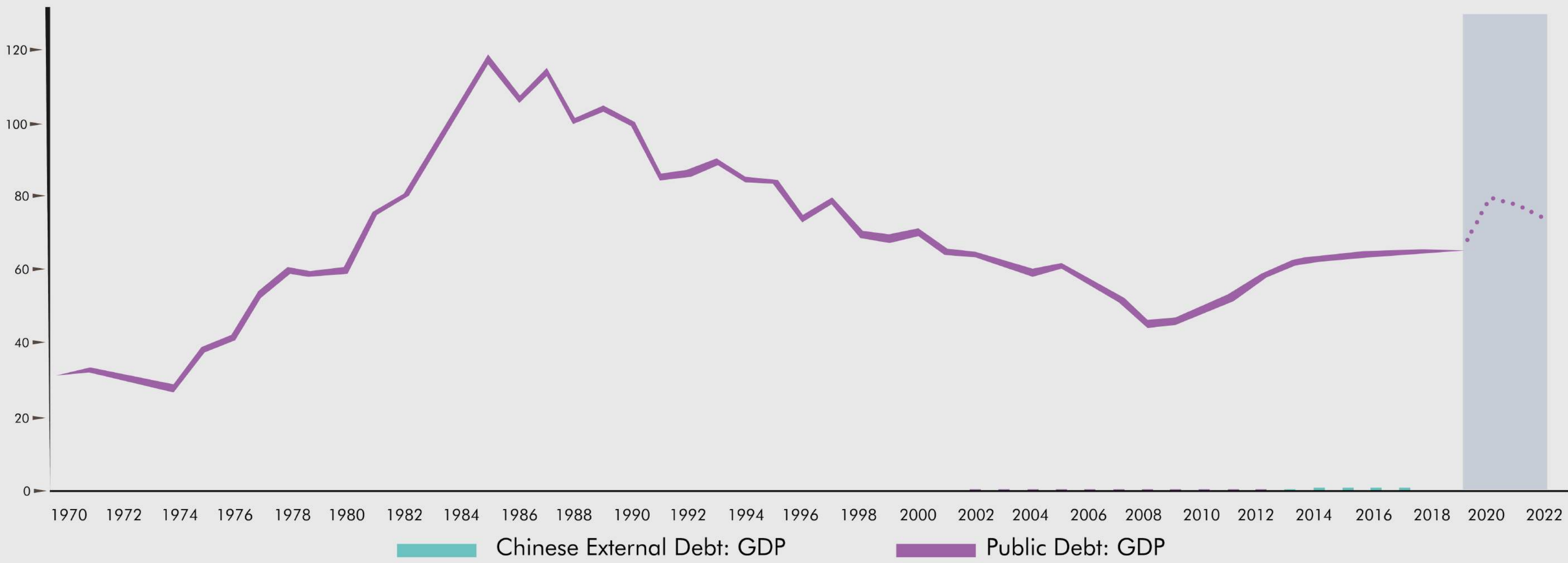
COUNTRY OVERVIEW



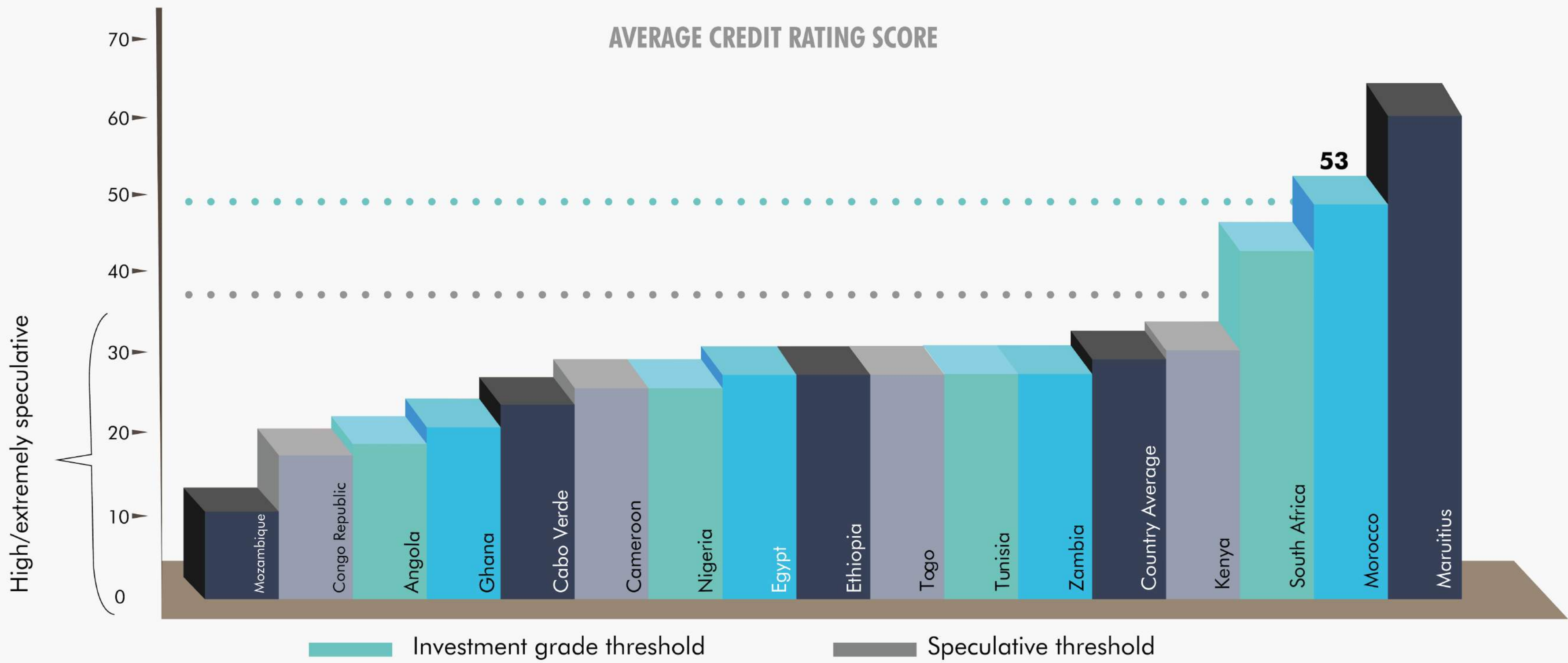
EXTERNAL DEBT STOCKS TO CHINA VS. OTHER COUNTRIES IN US MILLION



MOROCCO DEBT TO GDP RATIOS



AVERAGE CREDIT RATING SCORE



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? **Yes**

Has ratified Africa Continental Free Trade Agreement? **NO**

MOROCCO

Debt History

Morocco's public debt to GDP ratio was low in the early 1970s but steadily climbed until the mid-1980s, peaking at 117.71% in 1985. The ratio remained above 100% from 1984 until 1990, with a decreasing trend since then. Initially, debt rose due to a series of development plans to modernize the economy and increase production, which involved huge capital investment.¹⁸⁶

But interest rates later rose, due to the global oil price shock in the late 1970s, and thus from the mid-1980s Morocco had to undertake a program of privatization and economic policy changes endorsed by the World Bank and the IMF, which explains the gradual decrease in its public debt to GDP ratio.¹⁸⁷ However, Morocco was not part of HPIC and did not receive any debt cancellation from China over the 2000-2018.

Morocco's economic growth has been on average 4.1% per year from 2000 to 2019. However, more recently the country's economic growth has slowed for two consecutive years, from 4% in 2017 to 2.3% in 2019. In addition, alongside a decrease in grants from the Gulf Cooperation Council and a plan for rising social spending, Morocco is expected to borrow more from other countries and the private sector.

Indeed, Morocco's public debt level has increased every year since 2008, reaching 64% of GDP in 2018 due to a downgrade in economic growth and budget restructuring. However, Morocco allocated a similar proportion of government expenditure in debt interest payments and the health sector. In 2017, debt interest amounted to 8.5% of total government expenditure, compared to health expenditure of approximately 7.5%. Given potential opportunity costs, it is important that the projects being funded by loans should help raise Moroccan citizen's standards of living and generate a return. Examples of different projects that Morocco has financed using loans from the World Bank and China are shown below.

MOROCCO IN 2021

4.8% economic growth

78% public debt to GDP ratio

-6% budget balance

4/8 DR's Debt Transparency Index

Morocco



SUSTAINABLE DEVELOPMENT GOALS



THE WORLD BANK



Project Name	\$ million	SDGs
Noor Ouarzazate Solar Power Plant Phase II 200MW (2018)	150	7 AFFORDABLE AND CLEAN ENERGY
Jerada Coal Power Plant (2014)	305	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Berrechid-Ben Ahmed Highway Project (2011)	184	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Project Name	\$ million	SDGs
First Financial and Digital Inclusion Development Policy Financing (2020)	500	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Improving Primary Health in Rural Areas and Responding to COVID-19 Pandemic Emergency (2020)	35	3 GOOD HEALTH AND WELL-BEING
Municipal Performance Program (2019)	760	8 DECENT WORK AND ECONOMIC GROWTH

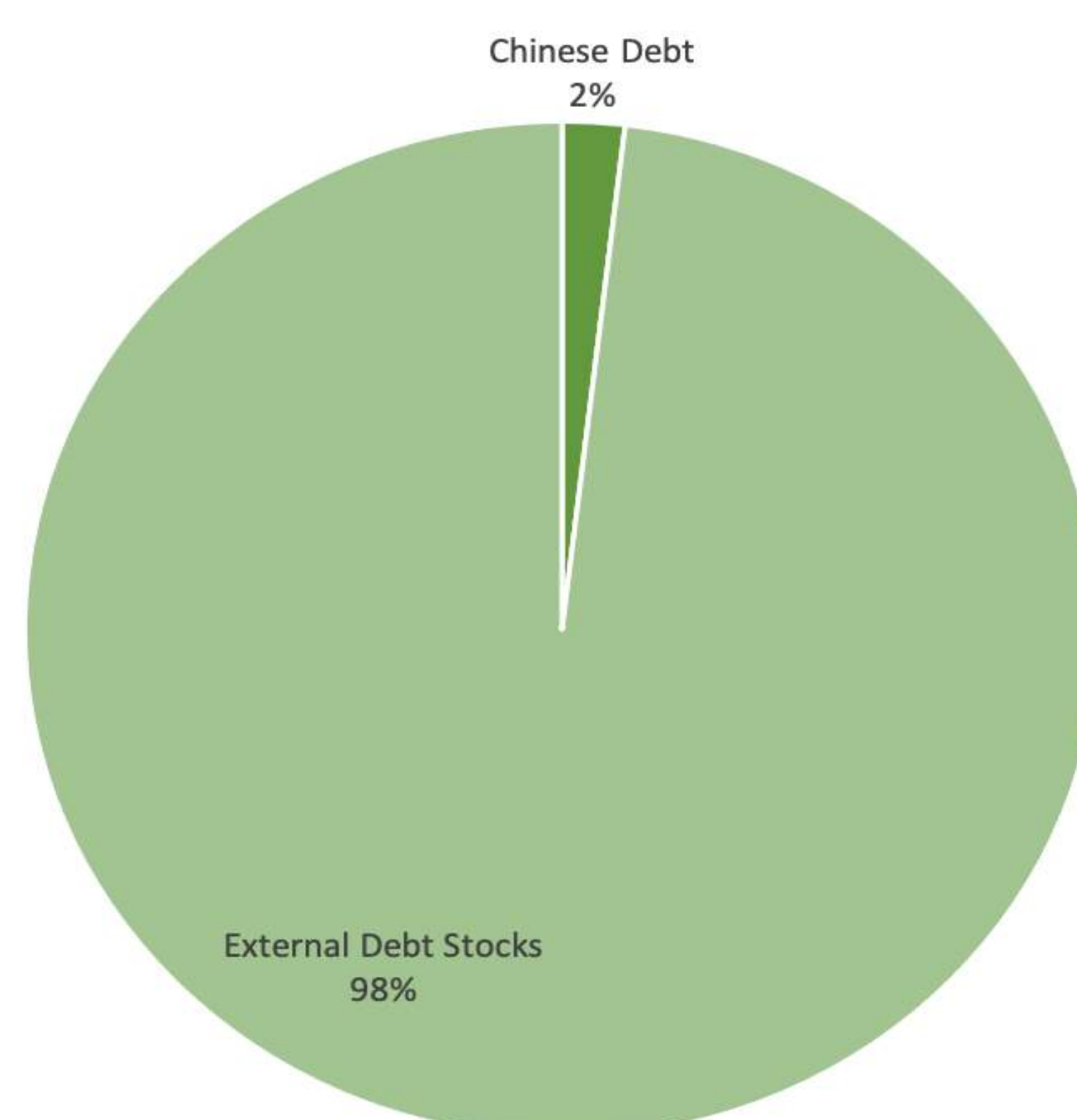
MOROCCO

It should also be noted that Morocco scored joint middle in the Debt Transparency Index, given that it has and uses a medium-term debt strategy, but its government data portal is ineffective. Morocco is also a signatory to the Open Government Partnerships and recognizes freedom of information rules.

Chinese Debt Exposure

Chinese debt as a percent of Morocco's total external debt stocks is very low. Chinese debt represents less than 1% Morocco's external debt stocks. Morocco's external debt has been largely to members of the Paris Club and international financial institutions – perhaps due to its relative proximity to Europe.¹⁸⁸ However, China has brought at least nine fundamental Chinese official development finance projects in the country since 2000 according to China Africa Research Initiative.¹⁸⁹

Figure: Chinese debt as a proportion of Morocco's total external debt stock



Source:
The World Bank, Christoph Trebesch et al. Chinese Debt Stock Database

Current Financing Challenges

As a middle-income country, the IMF does not classify Morocco's debt position. However, the Jubilee campaign predicts a debt crisis in 2020, since it judges that debt payments are undermining the country's economy. Given that Morocco's economy is heavily dependent on tourism, the negative effects of COVID-19 due to border closures and travel restrictions make the country vulnerable, bringing into question its ability to pay the debt services. Fitch's credit rating for Morocco was last reported at BB+ with stable outlook on October 23, 2020,¹⁹⁰ which is speculative with an elevated vulnerability to default risk. But Morocco's overall credit rating was distinctly higher than the average of the other countries in this report, suggesting its flexibility to service the financial commitments.¹⁹¹ Furthermore, Morocco has somewhat less outstanding infrastructure financing needs to meet the SDGs than many other countries examined in this guide. It may be possible to raise such finance domestically or from a range of creditors.

WHAT DOES MOROCCO STILL NEED TO FINANCE?

SOME EXAMPLES:

ACCESS TO INTERNET FOR 36% OF THE POPULATION

IMPROVING TRADE INFRASTRUCTURE BY 35% TO REACH CHINESE LEVELS



MOROCCO

The COVID19 Impact

The COVID-19 pandemic has created challenges for Morocco's economic development. The country's economy is projected to contract by -3.7% in 2020. Due to the reductions in revenues from tourism, the country may see its fiscal deficit worsen to 6.9% in 2020, according to the African Development Bank 'worst-case' forecast. Nevertheless, by September 2020 the government in Morocco budgeted \$3.2 billion (2.7% GDP) on Covid-19 mitigation programmes. This included social assistance through cash transfers to informal workers and help to SME's to support the temporarily unemployed. These programmes were intended to reach 3 million people, 8.2% of the population.

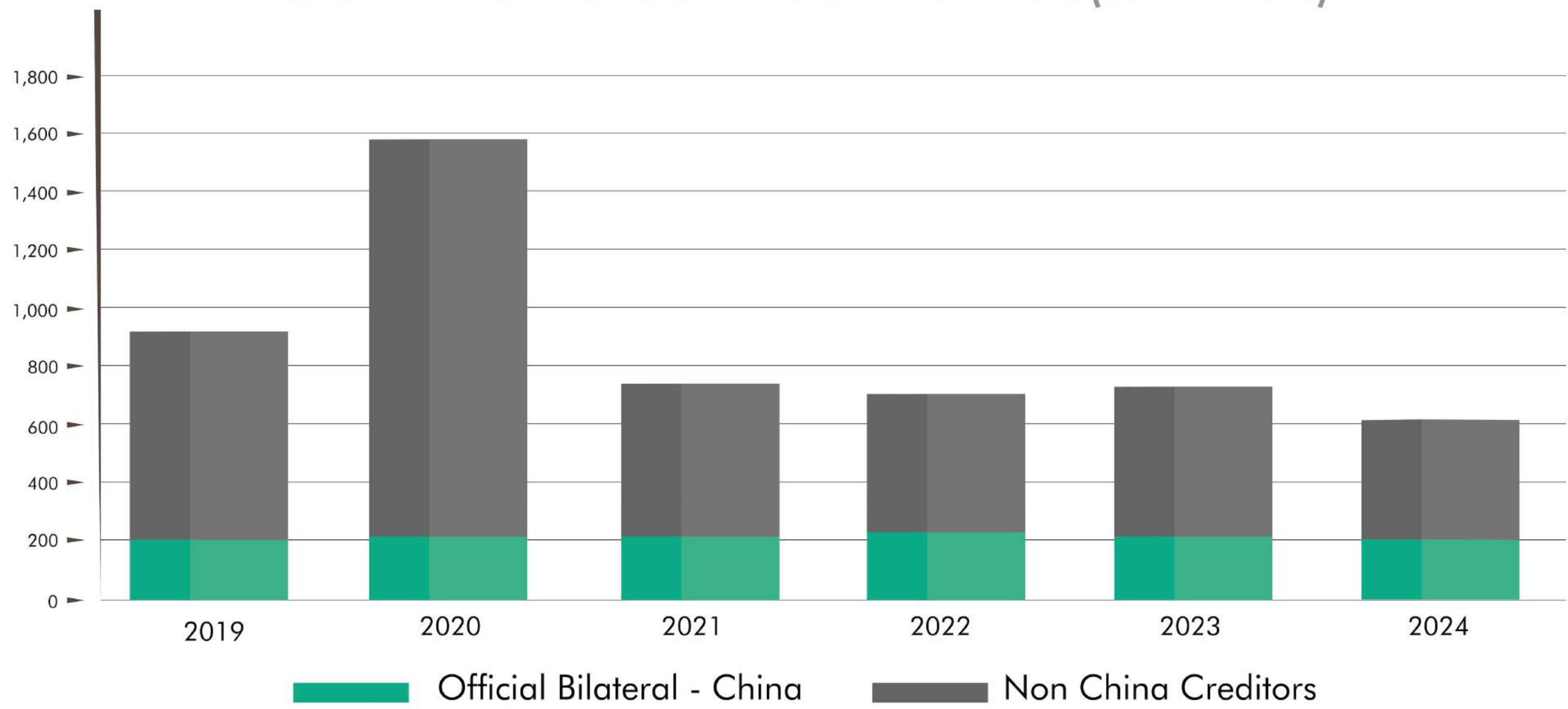
However, as a middle-income country, Morocco is not eligible for the G20's Debt Suspension Initiative (DSSI) as the DSSI only applies to IDA countries and all least developed-countries defined by the United Nations.¹⁹² But Morocco has requested the World Bank to restructure a US\$275 million Disaster Risk Management Development Policy loan to help Morocco manage the effects of the COVID-19 pandemic. The terms of this loan are unclear.¹⁹³ In addition, in April 2020, Morocco became one of only two countries in the world to request and receive a US\$3 billion loan from the IMF's Precautionary Liquidity Line (PLL) to address the impact of the COVID-19.¹⁹⁴ This loan has a service charge with the SDR interest rate.¹⁹⁵ In June 2020, Morocco also successfully requested a new US\$35 million loan from the World Bank (at an 8.3% interest rate) to improve the health sector in the country.¹⁹⁶

MOZAMBIQUE

COUNTRY OVERVIEW



PROJECTED DEBT SERVICE TO CHINA VS. OTHER CREDITORS (USD MILLIONS)

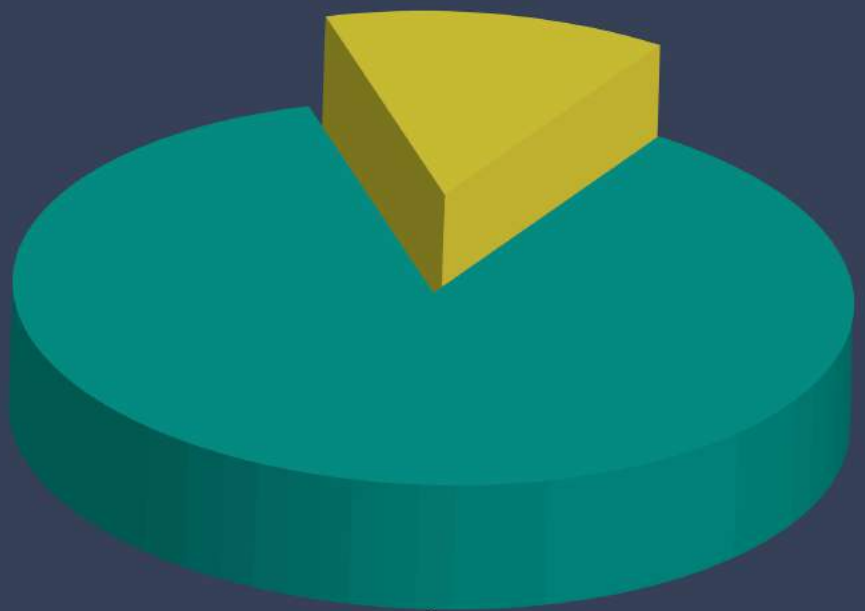


SHORT-TERM EXTERNAL DEBT



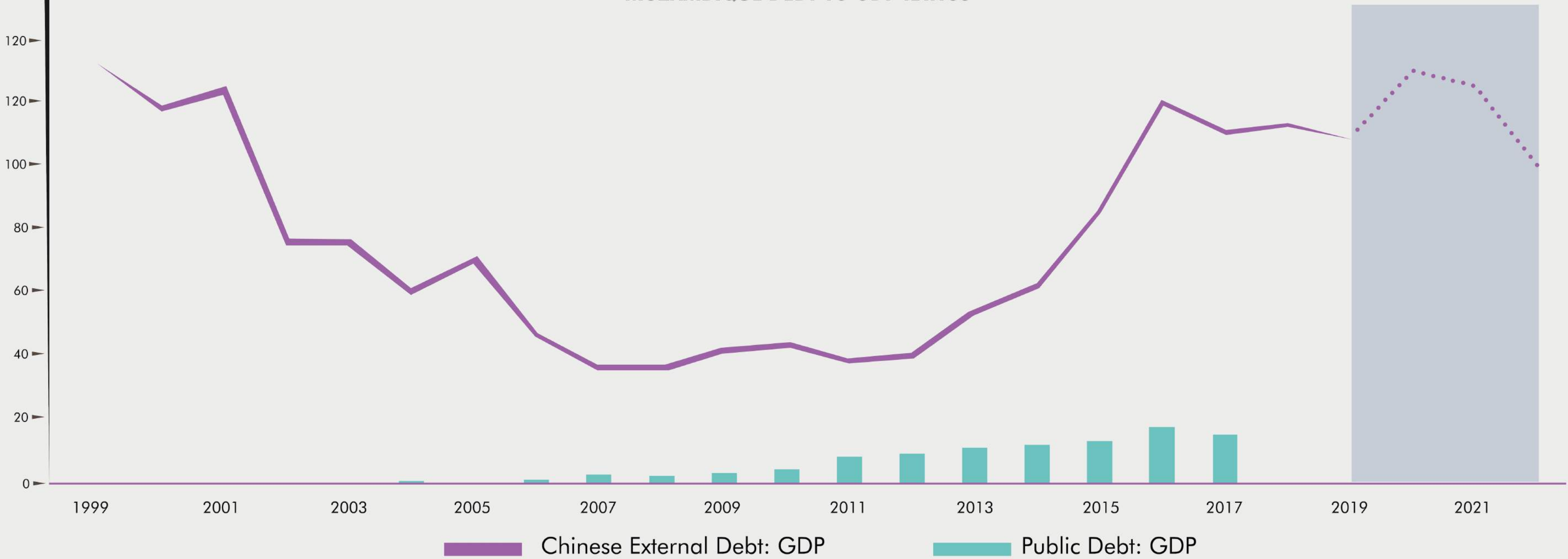
LONG-TERM EXTERNAL DEBT

PRIVATE SECTOR (19%)

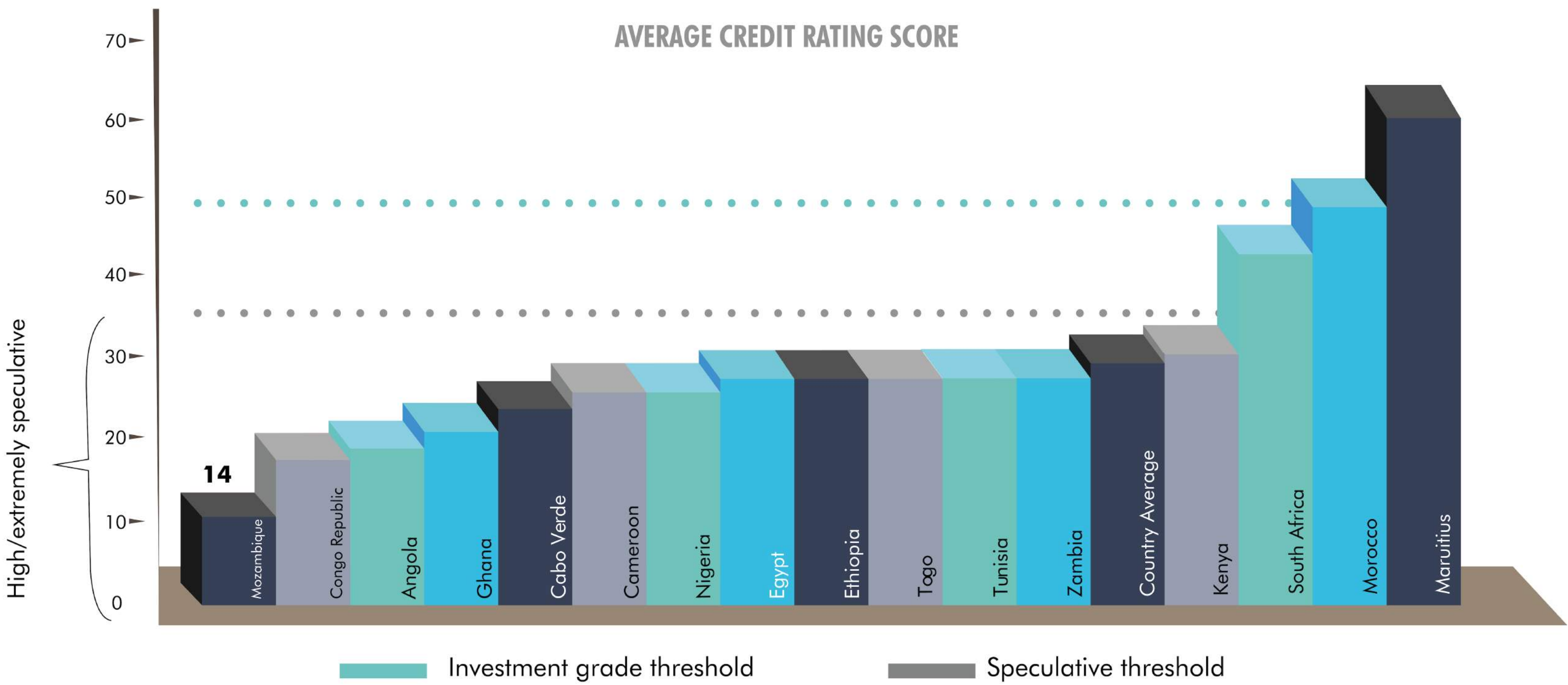


PUBLIC SECTOR (81%)

MOZAMBIQUE DEBT TO GDP RATIOS



AVERAGE CREDIT RATING SCORE



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? **Yes**
Has ratified Africa Continental Free Trade Agreement? **NO**

MOZAMBIQUE

Debt History

Mozambique’s public debt to GDP ratio was at its highest in 1999 - the earliest date for available data- at 131.2% but decreased to 36% in 2007. Two major reasons for this were fast growth and debt-forgiveness.

MOZAMBIQUE IN 2021

- 2.1% economic growth
- 123% public debt to GDP ratio
- 5.3% budget balance
- 3.5/ 8 DR’s Debt Transparency Index

First, Mozambique’s average growth rate from 1996 to 2015 was 8% per year, which was the highest in Africa - including due to a series of economic actions such as privatization of state-owned companies, higher government revenue raising by introducing value-added tax and customs service changes.¹⁹⁷ Second, debt relief from various donors was forthcoming,¹⁹⁸ as shown below, including from China – disbursed over three different occasions.¹⁹⁹

- \$2.1 billion committed debt relief through HIPCI
- \$88 million Chinese debt relief
- \$78 million UK debt relief
- \$27 million USA debt relief

However, Mozambique’s public debt to GDP ratio has continually increased over the past decade, reaching 120% in 2016 and stabilizing above 100% over the most recent five years. The reason it stabilised in 2016 was that the Mozambican government reported that it was responsible for more than US\$2 billion in government-backed loans provided by state-owned defence and security companies during 2012-2014 that were not approved by the parliament or included in the national budget. This prompted the IMF and international donors to suspend further loans to the country.²⁰⁰

In 2017, Mozambique’s debt interest payments were equivalent to 7.2% of total expenditure, yet the rate increased to 10% in 2018, more than twice the amount of total government expenditure in 2017 spent on the health sector. This could represent a high potential opportunity cost IF the projects being funded by loans are not helping to raise Mozambique’s citizen’s standards of living and/or generating a return. Examples of the sorts of projects Mozambique has used loans from the World Bank and China for over recent years are shown below.

Mozambique



SUSTAINABLE DEVELOPMENT GOALS



THE WORLD BANK

Project Name	\$ million	SDGs
Mozambique-China Cultural Center (2018)	25	4 QUALITY EDUCATION
Coral South FLNG (2017)	150	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Digital Migration (2017)	156	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Project Name	\$ million	SDGs
Improvement of Skills Development in Mozambique (2020)	104	4 QUALITY EDUCATION
Conservation Areas for Biodiversity and Development (2020)	28.6	15 LIFE ON LAND
Mozambique Urban Development and Decentralization Project (2020)	117	11 SUSTAINABLE CITIES AND COMMUNITIES

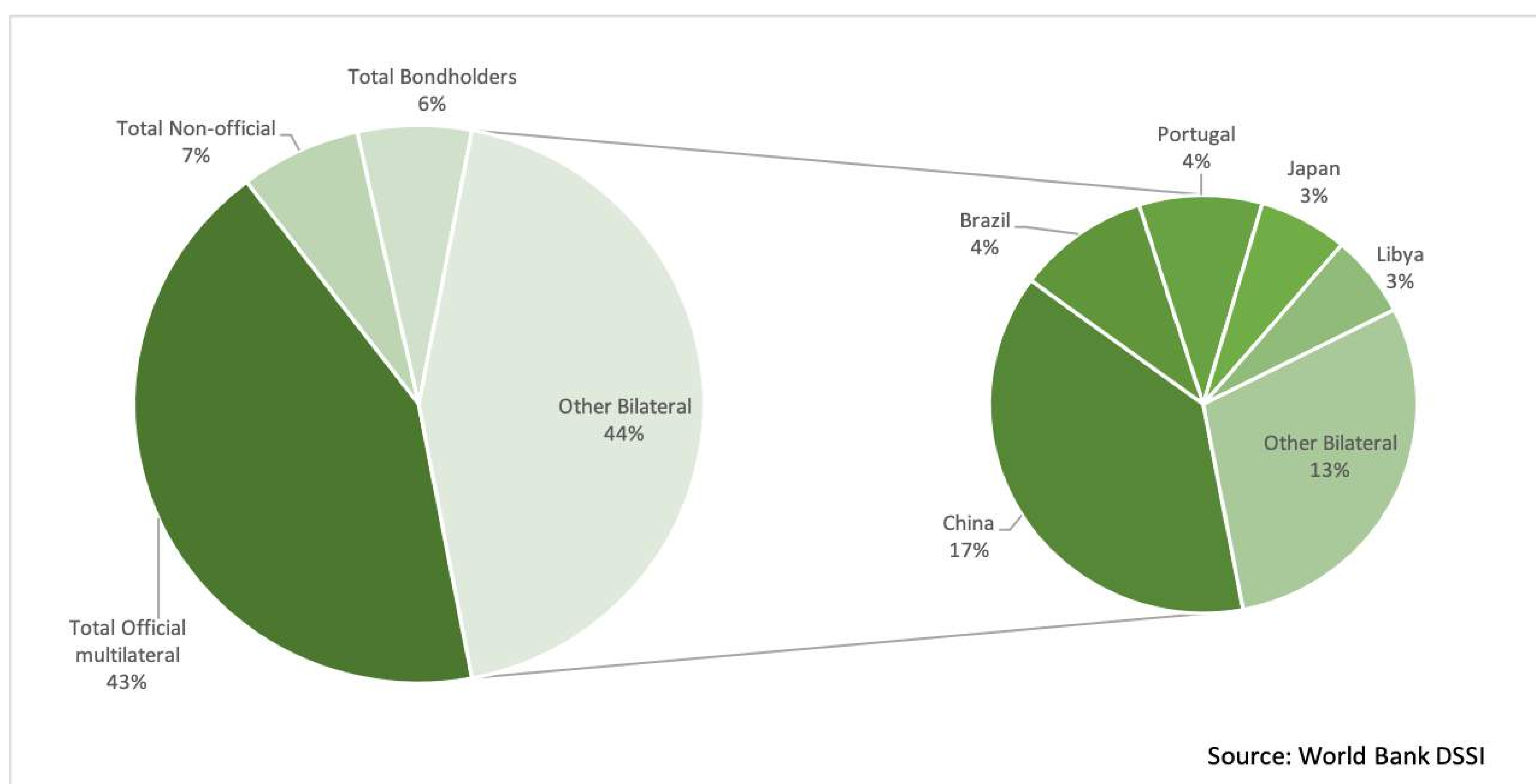
MOZAMBIQUE

The country is mid-range in the Debt Transparency Index because it has published a medium-term debt strategy but with limited access to government data. The country only produced a draft Freedom of Information Bill in 2005 and has not published any loan-related contracts.

Chinese Debt Exposure

Alongside the withdrawal of other creditors, China has become Mozambique's largest official bilateral creditor at US\$1.9 billion in 2019. Chinese debt in Mozambique's debt portfolio has consistently increased over the past decade, with Chinese debt accounting for only 1.4% of Mozambique's total external debt stocks in 2006 but increasing to 13% by 2017. In 2012, the rate was at a record high at 19%. According to the China Africa Research Initiative, China has at least 21 projects in Mozambique, mainly in the transport and agriculture sectors as well as in mining and government building construction.²⁰¹ For example, in 2013, China lent US\$416.5 million to Mozambique to finance the rehabilitation of the Beira-Machipanda road.²⁰²

Figure 10: Breakdown of Mozambique's debt stocks



Current Financing Challenges

Mozambique has experienced slower growth in 2016 – 2017, alongside a decline in foreign direct investment and support from donors. In 2019, the growth rate dropped to 2.2%. However, the country has significant infrastructure financing needs in particular to ensure basic standards of living for the population and poverty reduction – especially in respect to access to electricity, the internet and road infrastructure is particularly limited. Given growth and domestic revenues, it is very unlikely Mozambique could manage this with domestic revenues, it will need to seek external support.

MOZAMBIQUE

WHAT DOES MOZAMBIQUE STILL NEED TO FINANCE?
SOME EXAMPLES:

ACCESS TO ELECTRICITY FOR 69% OF THE POPULATION
ACCESS TO DRINKING WATER FOR 44% OF THE POPULATION
ACCESS TO INTERNET FOR 79% OF THE POPULATION
IMPROVING PORT INFRASTRUCTURE BY 22% TO REACH CHINESE LEVELS
IMPROVING ROAD INFRASTRUCTURE BY 144% TO REACH CHINESE LEVELS



However, The IMF classifies Mozambique as already IN debt distress, due to high levels of debt, a large fiscal deficit, and low rates of economic growth. The Jubilee Debt Campaign makes a similar assessment, suggesting Mozambique is already in a debt crisis in 2020. And in terms of its creditworthiness, earlier in 2020 Fitch downgraded Mozambique's government bonds to CCC – the equivalent of junk bonds – citing concerns over the country's ability to continue servicing its debt.

The COVID19 Impact

Mozambique's economy has suffered further setbacks due to the COVID-19 pandemic, due to negative impacts on demand and supply chains. The real GDP growth in 2020 is projected to reduce to 2.25%. African Development Bank forecasts a 'worst-case' fiscal deficit of 8.2% in 2020 and 4.6% in 2021. However, the government has been very constrained in its COVID19 response. By September 2020 the government in Mozambique had budgeted only \$48 million (0.3% of GDP) on Covid-19 mitigation programmes. Their social assistance programmes, including food vouchers to vulnerable households, were intended to reach 54 thousand people, 0.17% of the population.

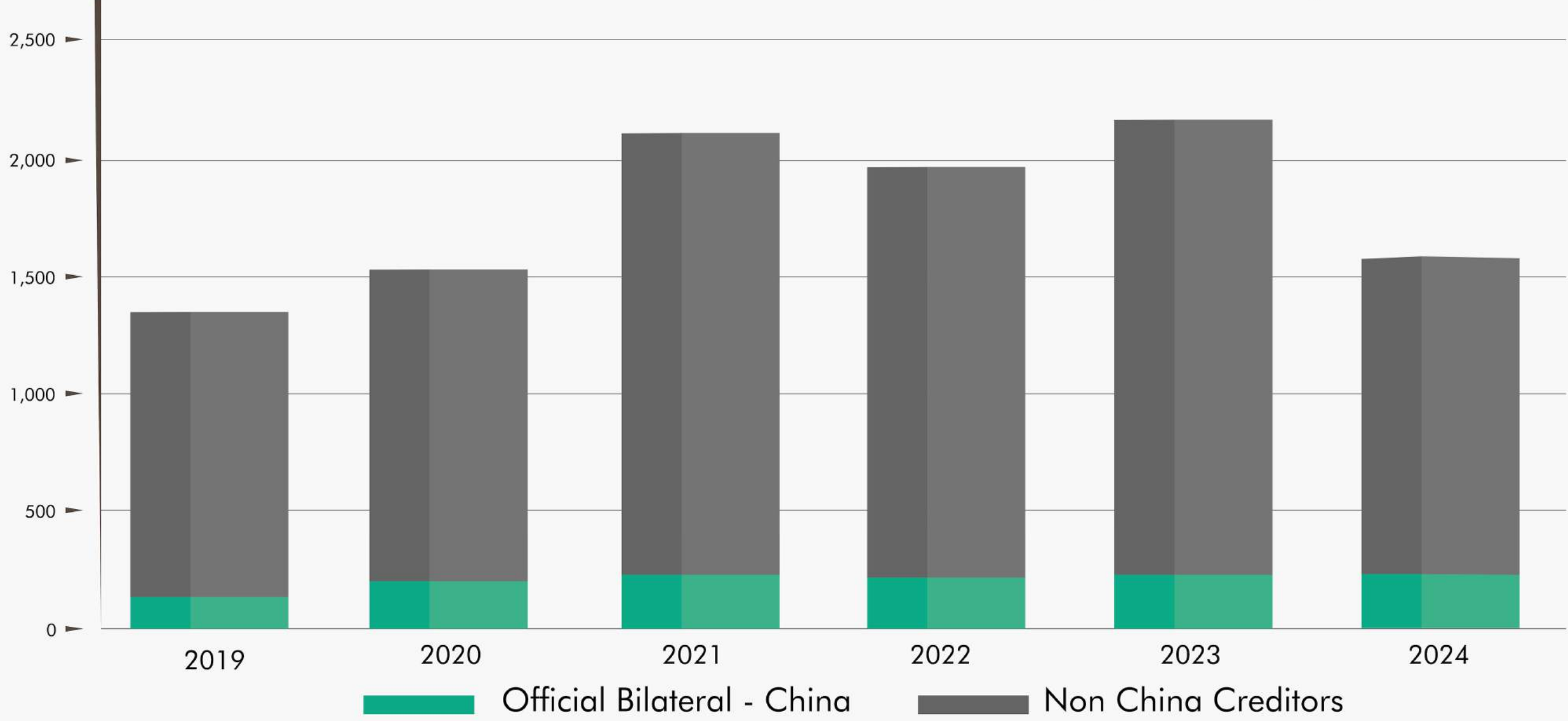
Mozambique has therefore decided to participate in the G20's Debt Suspension Initiative (DSSI), which would allow the country to receive total debt service suspension of US\$294 million²⁰³ from official bilateral creditors – including China – by the end of 2020. In addition, on April 24, Mozambique asked the IMF for a disbursement under the interest-free²⁰⁴ Rapid Credit Facility program of US\$309 million in emergency assistance for COVID-19.²⁰⁵ This will need to be repaid within 10 years.

NIGERIA

COUNTRY OVERVIEW



PROJECTED DEBT SERVICE TO CHINA VS. OTHER CREDITORS (USD MILLIONS)



SHORT-TERM EXTERNAL DEBT



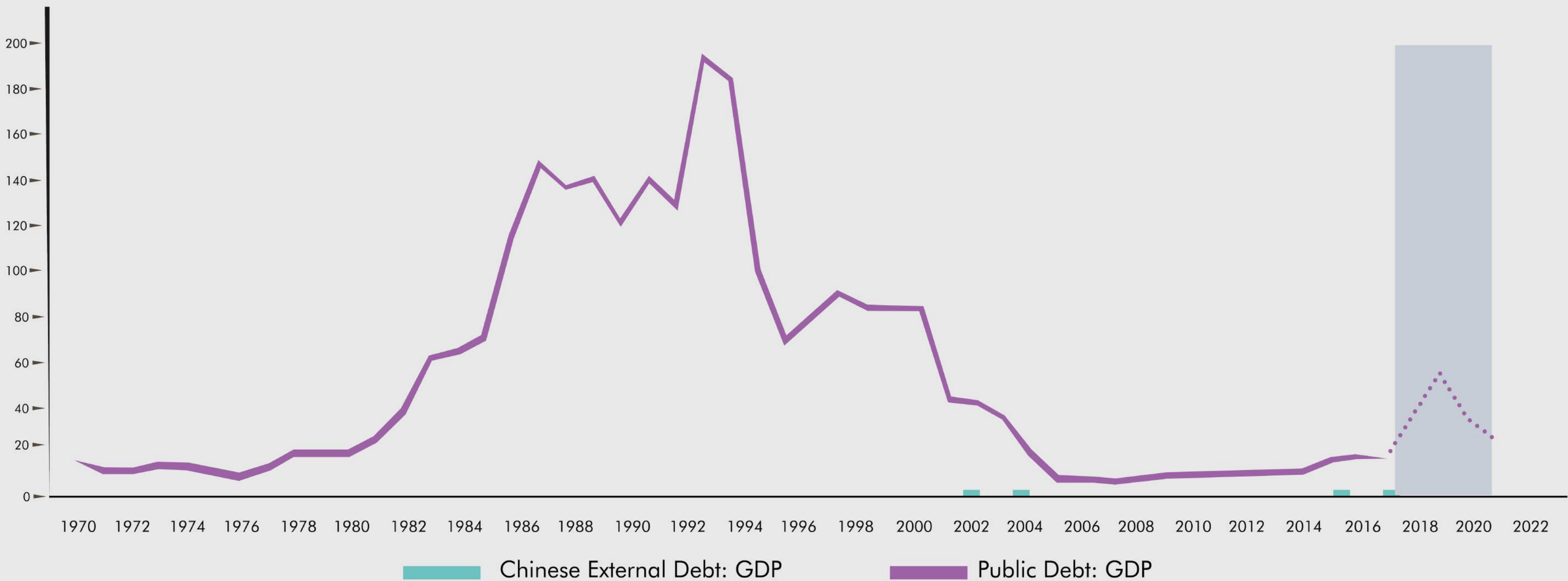
LONG-TERM EXTERNAL DEBT

PRIVATE SECTOR (44%)

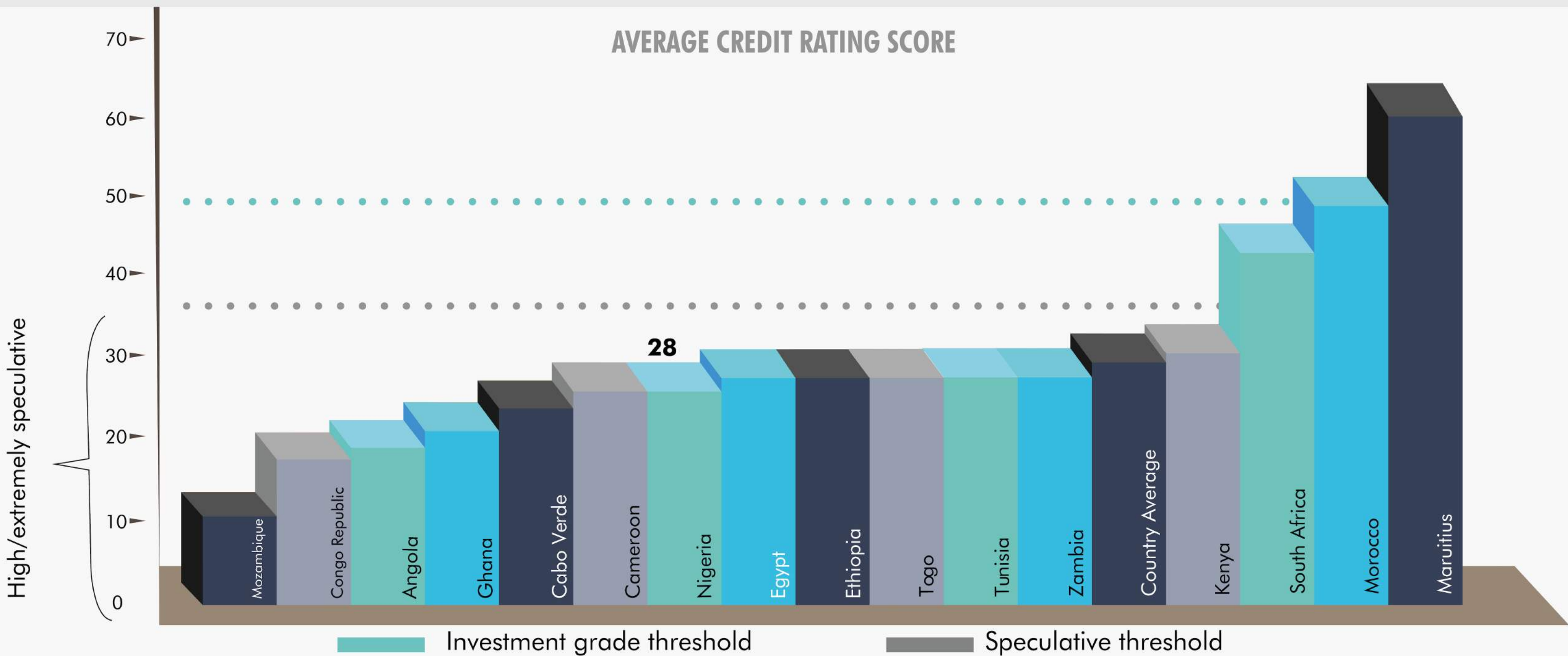


PUBLIC SECTOR (56%)

NIGERIA DEBT TO GDP RATIOS



AVERAGE CREDIT RATING SCORE



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? **Yes**
Has ratified Africa Continental Free Trade Agreement? **Yes**

NIGERIA

Debt History

Nigeria's debt level has fluctuated significantly over the period 1970 to 2018, with the public debt to GDP ratio increasing from 16.41% in 1970 to 193.67% in 1993 and decreasing back down to 17.5% in 2018. One major reason for the higher public debt to GDP ratio between 1986 and 1995 with an average of 140.37% per year was due to the global oil shock in the late 1970s and continuing falling oil prices in the international markets.

NIGERIA IN 2021

2.4%	economic growth
35%	public debt to GDP ratio
-5%	budget balance
7.8/ 8	DR's Debt Transparency Index

In addition, interest rates on external loans borrowed in the period of 1970s and 1980s under the Second National Development Plan (1970-1974) and the Third National Development Plan (1975-1980) mainly to finance developmental infrastructure rose as well in that period.²⁰⁶ The decrease in oil prices made the country need to borrow more to support debt repayments, creating even more debt over time during this period.²⁰⁷ However, Nigeria was granted very little debt relief by China over 2000-2018 – and it was not included in the HIPC initiative.

Nigeria established a Debt Management Office (DMO) in 2000 to centrally coordinate the management of the country's debt. Since then, with a new debt management strategy, Nigeria's public debt to GDP ratio has been relatively low compared to other African countries, at an average of 11.8% per year between 2005-2018. Notably, in 2006, Nigeria's public debt was at a the record low at 7.71% of its GDP. Nigeria with the involvement of the World Bank and the IMF, developed a Medium-Term Debt Management Strategy 2012-2015 which included macroeconomic assumptions, the sources of financing, and pricing assumptions.²⁰⁸ The country in 2016 introduced a new three-year Debt Management Strategy.²⁰⁹ In 2019, a further strategy covering the period of 2020-2023 was drafted focusing on topics including borrowing strategies, reducing debt service cost, moderating debt-related risks, and ensuring debt sustainability.²¹⁰ This reflects a wider trend in Nigeria's attempts to make all data surrounding sovereign debt available to public scrutiny. Nigeria scored the third highest score in DR's Debt Transparency Index, only behind that of Kenya and Ghana. However, prior to the pandemic, the fall of oil prices has created challenges in revenue mobilization. Nigeria has experienced an increasing fiscal deficit since 2013: the fiscal deficit accounted for 2.3% of GDP in 2013 but grew to 5.4% of GDP in 2017.

\$5.5 million Chinese debt relief

Not Part of HIPC Initiative

Nevertheless, Nigeria scored the highest in the Debt Transparency Index amongst the analyzed countries with a comprehensive range of debt data including debt profile, Debt Management Office annual reports and its own debt sustainability analysis. Nigeria also produces a publicly available debt management strategy and is a signatory to the Open Government Partnership, allowing public access to government statistic and data. Examples of the types of projects recently financed with loans from China and the World Bank – and the SDGs they may contribute to - are shown below.

NIGERIA

Nigeria



THE WORLD BANK

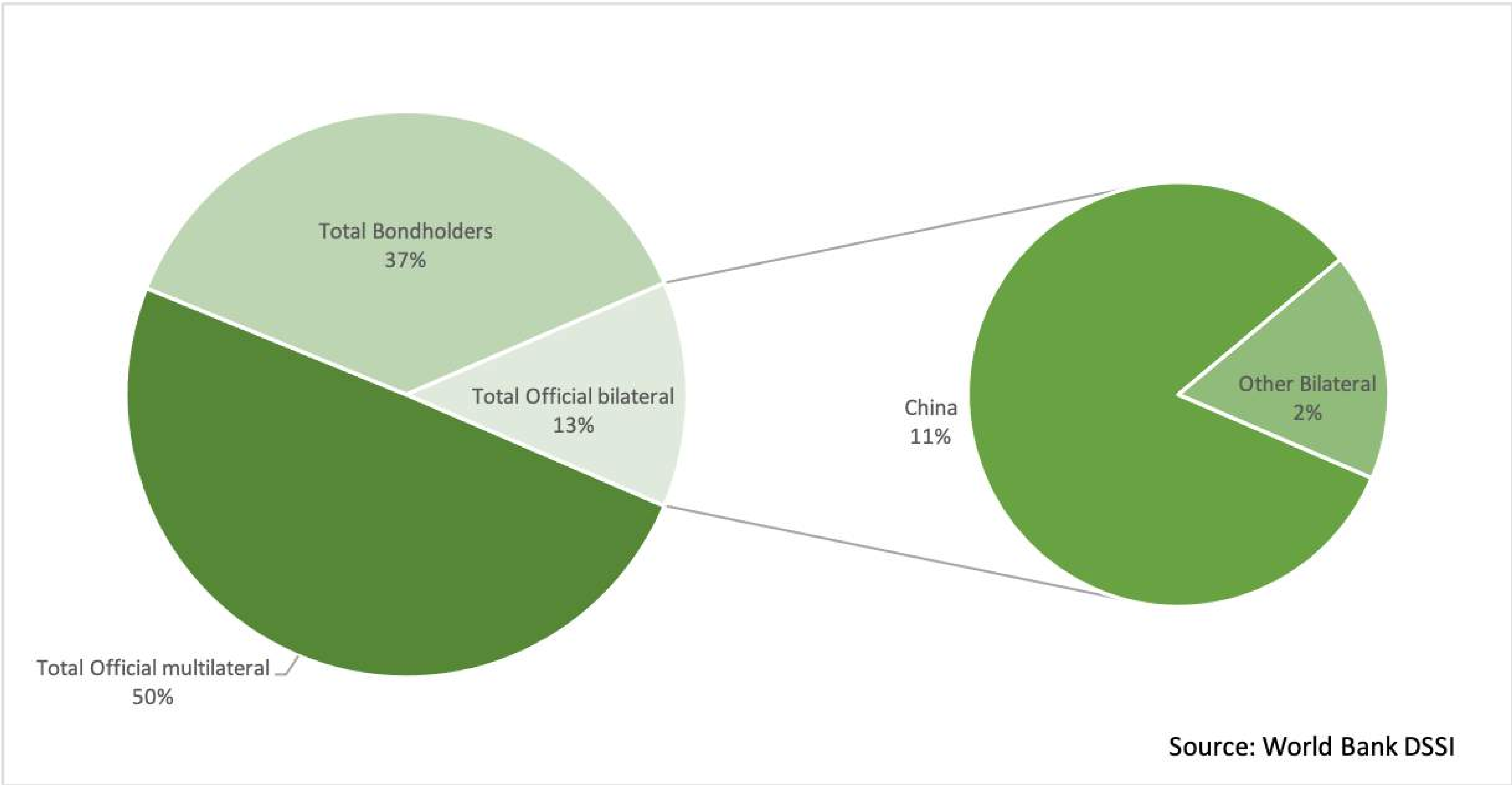
Project Name	\$ million	SDGs
ICT Infrastructure Backbone II Project (2018)	328	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Supply of Rolling Stocks and Depot Equipment for Abuja Light Rail Project (2018)	157	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Greater Abuja Water Supply Project (2018)	389	6 CLEAN WATER AND SANITATION

Project Name	\$ million	SDGs
Edo Basic Education Sector and Skills Transformation Operation (2020)	293	4 QUALITY EDUCATION
Adolescent Girls Initiative for Learning and Empowerment (2020)	500	5 GENDER EQUALITY
Power Sector Recovery Performance Based Operation (2020)	750	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Chinese Debt Exposure

Nigeria has a relatively small proportion of Chinese debt in its financing portfolio. According to Nigeria’s DMO, as of March 31, 2020, the total borrowing from China was US\$3.121 billion, accounting for 3.94% of the country’s total public debt.²¹¹

Figure 11: Breakdown of Nigeria’s debt stocks



NIGERIA

Official multilateral organizations are Nigeria's largest creditors, followed by private sector creditors. China is Nigeria's biggest official bilateral creditor. The total borrowed from China in 2019 amounted to 3% of its total official bilateral debt payment but accounted for 11% of its total debt payment. There are currently 11 active projects financed by China, mostly focusing on transport and power sectors, listed on its DMO website. For example, China lent US\$460.82 million in 2018 for Abuja – Keffi – Markuidi Road rehabilitation and upgrade.

Current Financing Challenges

Nigeria does not have a high level of external debt, and in any case the IMF does not assess Nigeria's debt sustainability as it is classified as a middle-income country. The Jubilee Debt Campaign doesn't identify any risk concerning Nigeria's debt levels. However, concerns about the country's vulnerability emanate from elsewhere.²¹²

In particular, Nigeria's economy heavily depends on the oil and petroleum industry, accounting for almost 80% of GDP and more than 90% of total exports.²¹³ Due to the oil price collapse in 2014-2016, the economic growth rate dropped to 2.7% in 2015 and continuously shrunk in 2016 with a negative 1.6%, compared to an average of 7.4% over the period of 2000-2015. The forecast economic growth slowed further since then, with an average of 1.63% between 2016 and 2019. The 2019/2020 collapse of oil prices have contributed further to the challenge the country in terms of fiscal space.

Furthermore, as shown below, the country has significant further infrastructure financing needs to meet basic needs of the population – in particular basic road infrastructure provision as well as access to water and electricity.

WHAT DOES NIGERIA STILL NEED TO FINANCE?
SOME EXAMPLES:

ACCESS TO ELECTRICITY FOR 44% OF THE POPULATION
ACCESS TO DRINKING WATER FOR 49% OF THE POPULATION
ACCESS TO INTERNET FOR 39% OF THE POPULATION
IMPROVING ROAD INFRASTRUCTURE BY 79% TO REACH CHINESE LEVELS



However, in terms of its credit worthiness, Fitch's credit rating for Nigeria was reported at B with a stable outlook, but it is below investment grade and highly speculative but suggests an ability to meet current financial commitments assuming no major economic shocks.²¹⁴ Its credit rating is one of the lowest amongst the select countries in this guide, which implies significant financing constraints going forwards.

The COVID19 Impact

COVID-19 has further widened Nigeria's fiscal deficit. African Development Bank forecasts a 'worst-case' fiscal deficit of 7.2% in 2020, which could challenge the country's ability to pay debt service. As a result, Nigeria's response to COVID19 has been very constrained. By September 2020 the government in Nigeria had budgeted just \$1.4 billion (0.4% of GDP) on Covid-19 mitigation programmes. This included providing social assistance through cash transfers to those on the social register and food assistance to households in Lagos and internally displaced people. These programmes were intended to reach 19 million people, 9.3% of the population.

NIGERIA

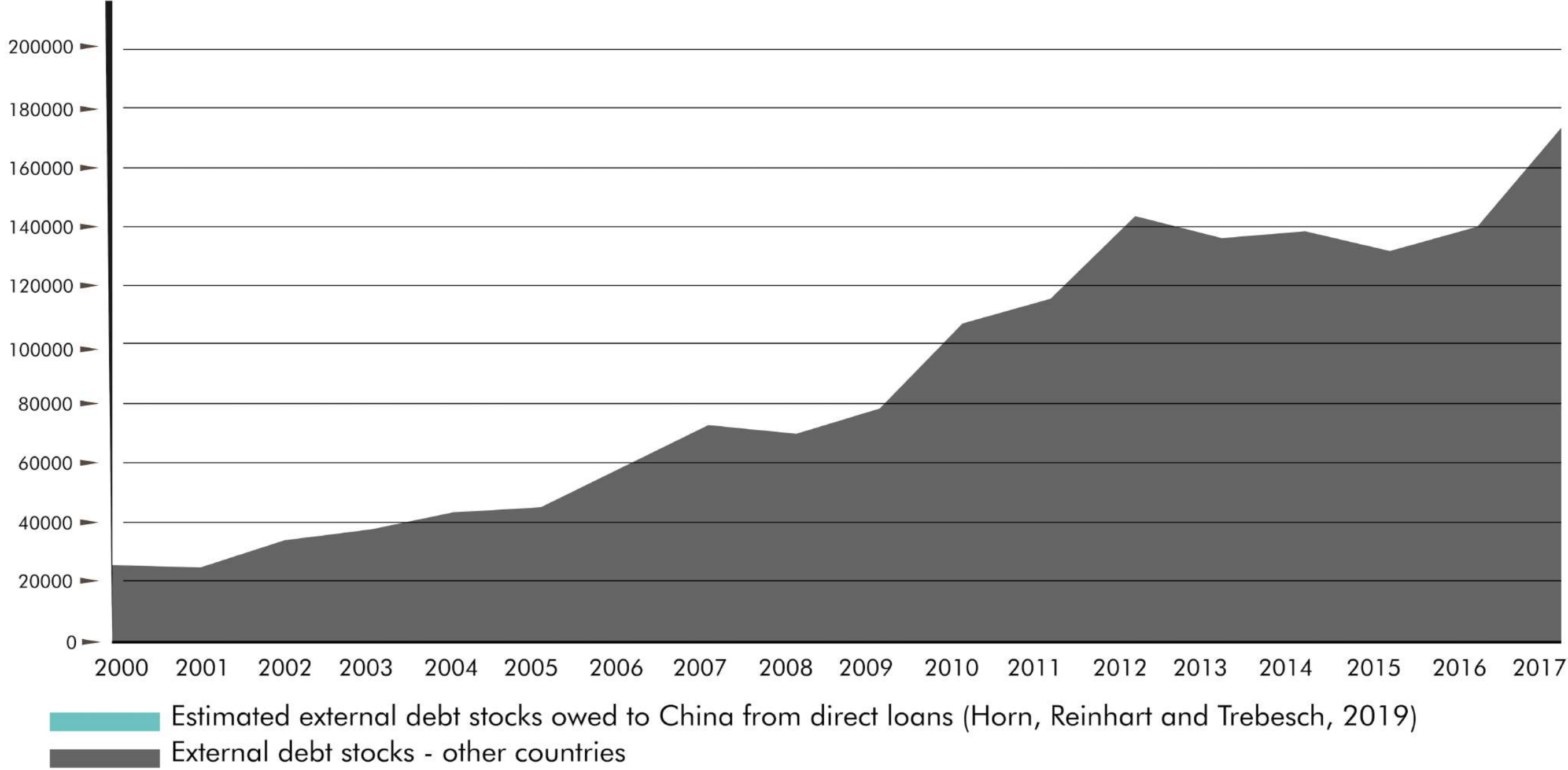
However, although a middle-income country, Nigeria has been deemed by the G20 to be one of the 22 African countries eligible for its Debt Suspension Initiative (DSSI), which would allow the country to receive debt service suspension worth US\$123.5 million²¹⁵ by its official bilateral creditors – including China – by the end of 2020. In addition, in mid-2020, Nigeria asked (and was approved for) a US\$3.4 billion loan under the interest-free Rapid Financing Instrument program.²¹⁶ This will need to be repaid within 3.5 to 5 years.

SOUTH AFRICA

COUNTRY OVERVIEW



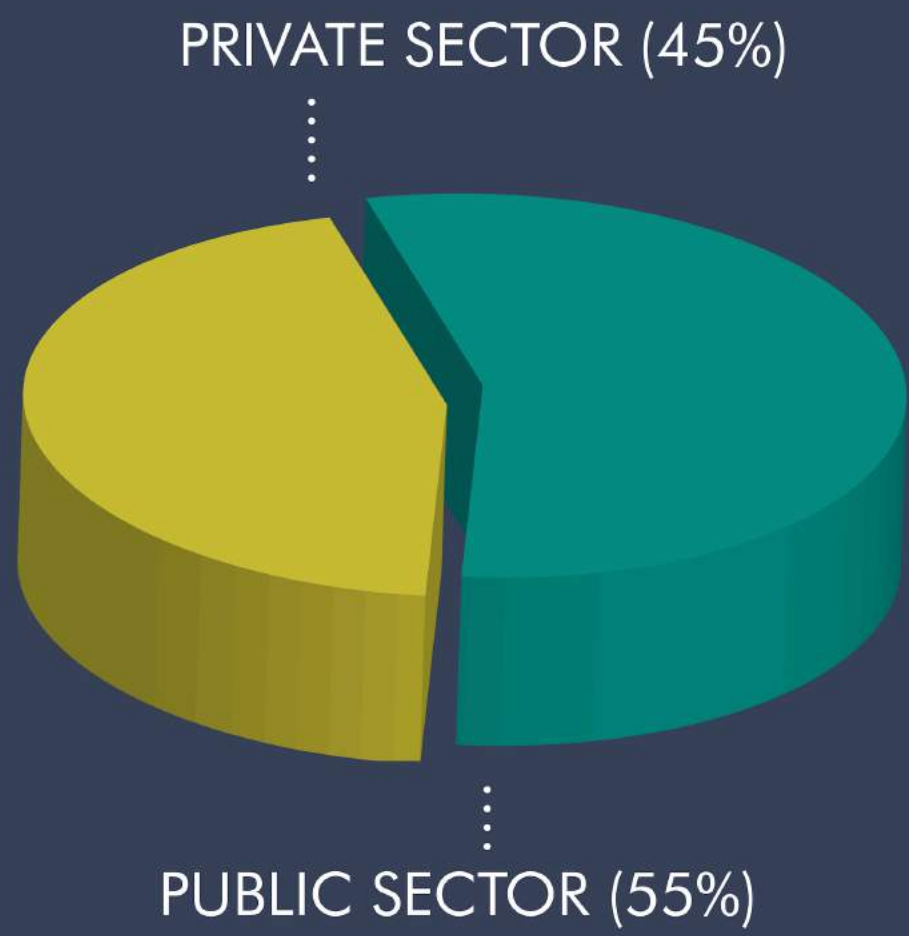
EXTERNAL DEBT STOCKS TO CHINA VS. OTHER COUNTRIES IN US MILLION



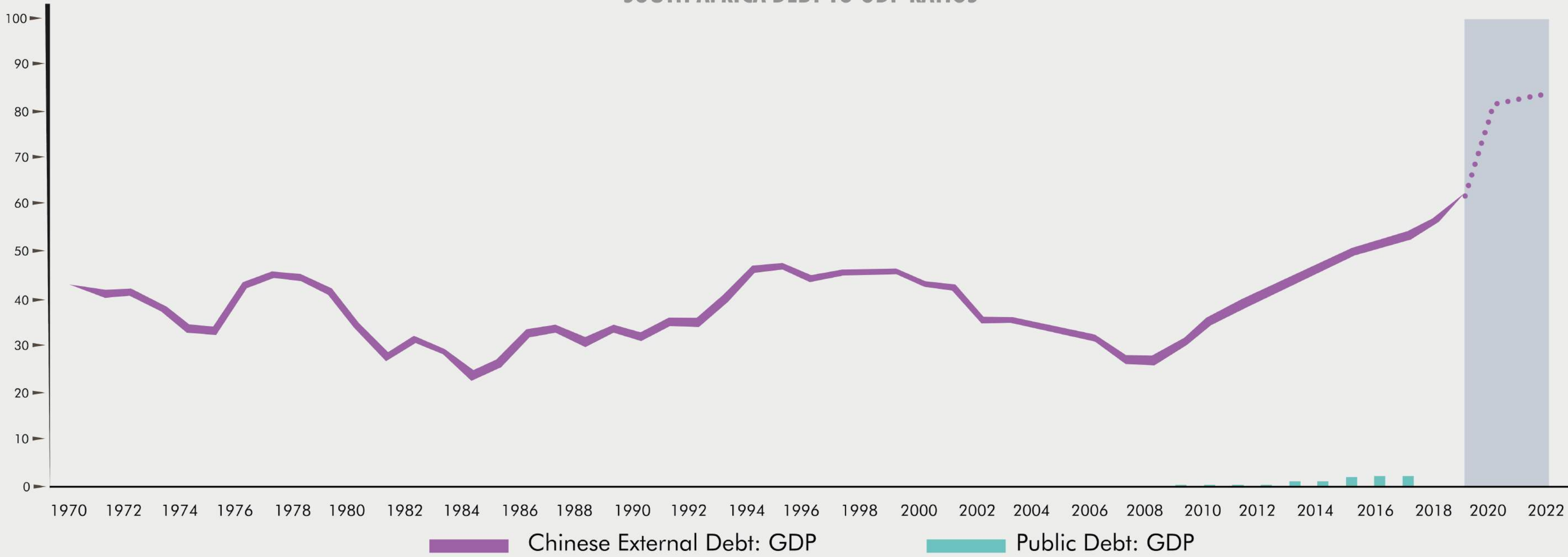
SHORT-TERM EXTERNAL DEBT



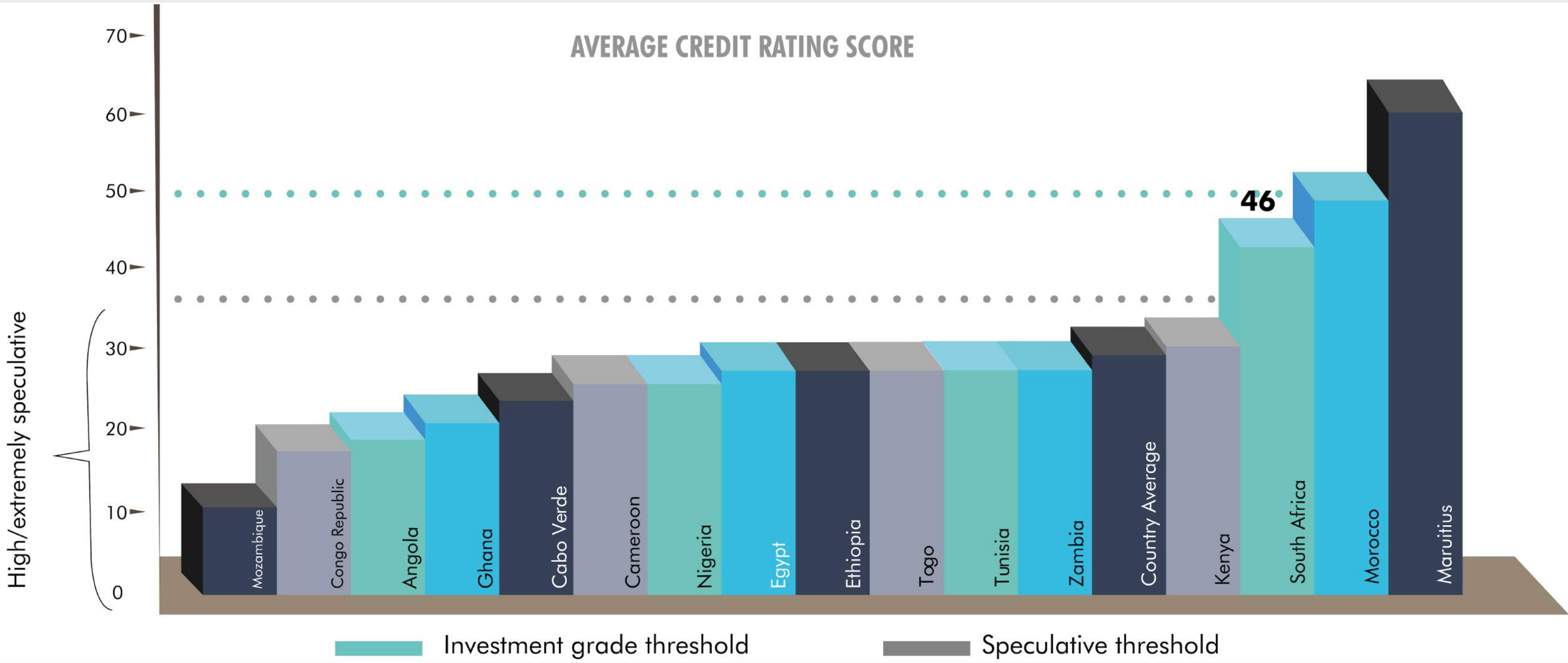
LONG-TERM EXTERNAL DEBT



SOUTH AFRICA DEBT TO GDP RATIOS



AVERAGE CREDIT RATING SCORE



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? **Yes**
Has ratified Africa Continental Free Trade Agreement? **Yes**

SOUTH AFRICA

Debt History

Until the late 2000s, South Africa's debt position was relatively stable: the public debt to GDP ratio stood at 26.51%, the budget deficit was just 0.5% of GDP, and total external debt stocks represented 24% of GDP as of 2008. One major cause of this was the well-developed financial and legal framework for a domestic financing market since the 1990s.

SOUTH AFRICA IN 2021

4%	economic growth
83%	public debt to GDP ratio
-11.1%	budget balance
7/8	DR's Debt Transparency Index

For instance, the government developed the bond Exchange of South Africa, the Financial Services Board, and the South African Reserve Bank. The South African government later established Asset and Liability Management Division under the National Treasury in 1999 to evolve its debt management strategy.²¹⁷ In addition, South Africa receives technical assistance from the World Bank under the Government Debt and Risk Management Program.²¹⁸ However, South Africa was never part of HIPC and has never announced any debt cancellation from China.

Since 2008, South Africa's public debt level has continuously increased and was at 62.2% of GDP in 2019. The ratio changed less as a result of more debt but more as a result of lower economic performance: economic growth has fallen to an average of 1.5% per annum. This has been associated with a high unemployment rate of 30%, a decrease in private investment, and an increase in government spending to finance energy (via the state-owned company Eskom).²¹⁹ This has also widened the country's fiscal deficits, which was projected to reach 6.25% of GDP in 2019, compared to only 0.53% of GDP in 2008.

Before 2020, the economic development of South Africa had slowed down further for two consecutive years, accounting for 0.8% growth rate in 2018 and only 0.2% in 2019.

The country has relatively well-functioned health financing system, compared with other African countries. South Africa was ranked 34 among 195 countries worldwide in the 2019 Global Health Security Index - the top of all African countries.²²⁰ In 2017, the country allocated 13.3% of total government expenditure to the health sector, yet 11.3% of total government expenditure was used for debt interest payments, which could indicate opportunity costs, depending on whether the activities being financed by debt are increasing citizens' welfare or generating economic returns. Nevertheless, South Africa's debt service has increased as the country's debt level has risen. Debt interest payments of total government expenditure in 2008 were 4% lower than it in 2018.

South Africa does have one of the highest scores in the Debt Transparency Index with an effective data portal and an existence of a debt management office. The country passed the Promotion of Access to Information Act and is a signatory to the Open Government Partnership, publishing all government contracts for public access. Examples of the types of most recent projects financed by loans from China and the World Bank are shown below, to illustrate their impact on SDGs in the country.

SOUTH AFRICA

South Africa



SUSTAINABLE DEVELOPMENT GOALS



THE WORLD BANK

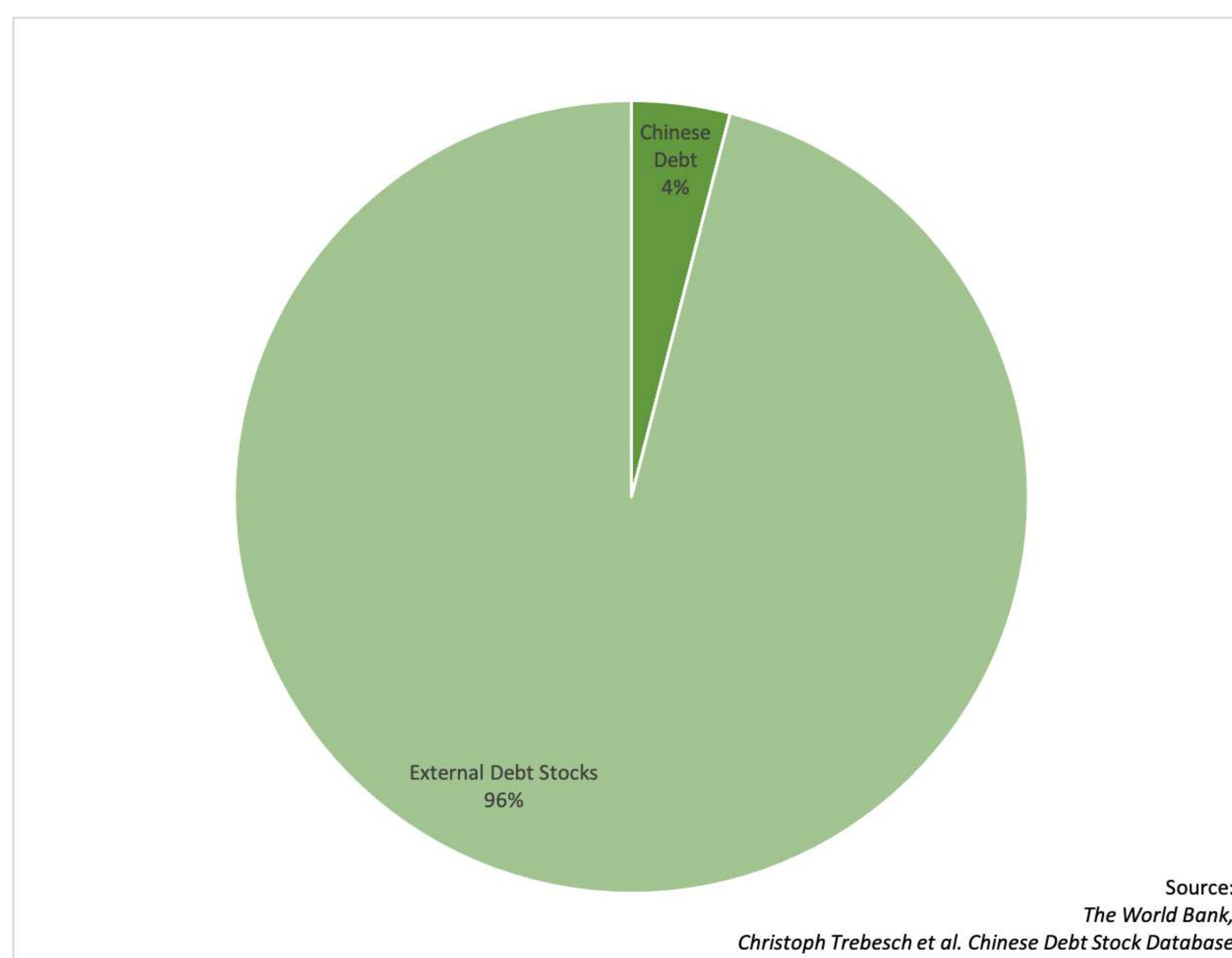
Project Name	\$ million	SDGs
Medupi Coal Power Plant Expansion (2018)	900	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Transnet Club Loan (2017)	242	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Transnet Locomotive Purchases (2017)	667	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Project Name	\$ million	SDGs
Technical Assistance Project for the Development Carbon Capture and Storage in the Republic of South Africa (2017)	38	13 CLIMATE ACTION
Land Bank Financial Intermediation Project (2017)	93	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
South Africa Partnership for Market Readiness (2017)	7	8 DECENT WORK AND ECONOMIC GROWTH

Chinese Debt Exposure

South Africa has been taking an increasing amount of loans from China since 2009 but it does not represent a substantial share of South Africa's external debt stocks - only around 4% of its total external debt stocks was from China in 2017 – a gradual increase from 1.2% in 2009. According to Chinese Africa Research Initiative, South Africa asked China to finance at least 17 projects between 2000-2018. Most of them (11) were loans to support the country's foreign currency position.²²¹ The rest were mainly focused on transport and power sector. The reason for the former type of loans may be that China is South Africa's one of the most important trading partners. In 2018, China became its largest export destination and South Africa exported US\$18.1 billion to China, accounting for 15.7% of South Africa's total export value. The main products exported from South Africa were gold, iron ore, and manganese ore.²²²

Figure: Chinese debt as a proportion of South Africa's total external debt stock



SOUTH AFRICA

Current Financing Challenges

The IMF does not evaluate South Africa's debt situation as it is classified a middle-income country. It is also not considered to be at risk of debt distress by the Jubilee Debt Campaign. Partly this is because South Africa has well-developed manufacturing and financial hubs and well-established logistic infrastructures that connect regional and global markets, as well as being rich in natural resources.²²³ But a high unemployment rate, unstable electricity supplies, and political infighting among the ruling party have more recently further slowed down economic growth. Challenges in management of the state-owned company Eskom also increased the debt burden.²²⁴ However, in terms of financing infrastructure needs going forwards, South Africa is in a stronger position than many other countries analysed in this guide. Only internet access appears to be significantly behind, so it is possible that South Africa could deliver these improvements through domestic financing.

WHAT DOES SOUTH AFRICA STILL NEED TO FINANCE? SOME EXAMPLES:

ACCESS TO ELECTRICITY FOR 9% OF THE POPULATION
ACCESS TO DRINKING WATER FOR 7% OF THE POPULATION
ACCESS TO INTERNET FOR 45% OF THE POPULATION



However, Fitch's credit rating agency downgraded South Africa to 'BB' on April 3 with a negative outlook due to its failure on government debt stabilization as well as the impact of the COVID-19 related to shock on government revenue and growth.²²⁵ This credit rating is nevertheless the third strongest amongst the countries analysed in this guide.

The COVID19 Impact

South Africa, as a member of the G20 and is itself providing debt suspension to help vulnerable countries address the pandemic.

However, South Africa has also had to finance its own COVID19 response. By September 2020, the government had budgeted \$37 billion (10.3% of GDP) on Covid-19 mitigation programmes. This included providing social assistance by increasing payments of the Child Support Grant, and providing food distribution through the School Nutrition Programme. These programmes were intended to reach 21 million people across the country, representing 37% of the population.

Despite this support, in 2020, South Africa's economy is still forecast to shrink by -5.8%, and the South African Revenue Service has estimated a revenue loss of US\$15 billion in 2020.²²⁶ The African Development Bank forecasted that the pandemic could push the budget deficit of South Africa to 13.1% of GDP in 2020 and 12.6% in 2021, under the 'worst-case' scenario, bringing into question the ability to service South Africa's debt payments. However, economic growth is expected to return to South Africa in 2021 at a rate of 4%. This results from the assumed global economic recovery in the post-COVID-19 era, but cannot be guaranteed.

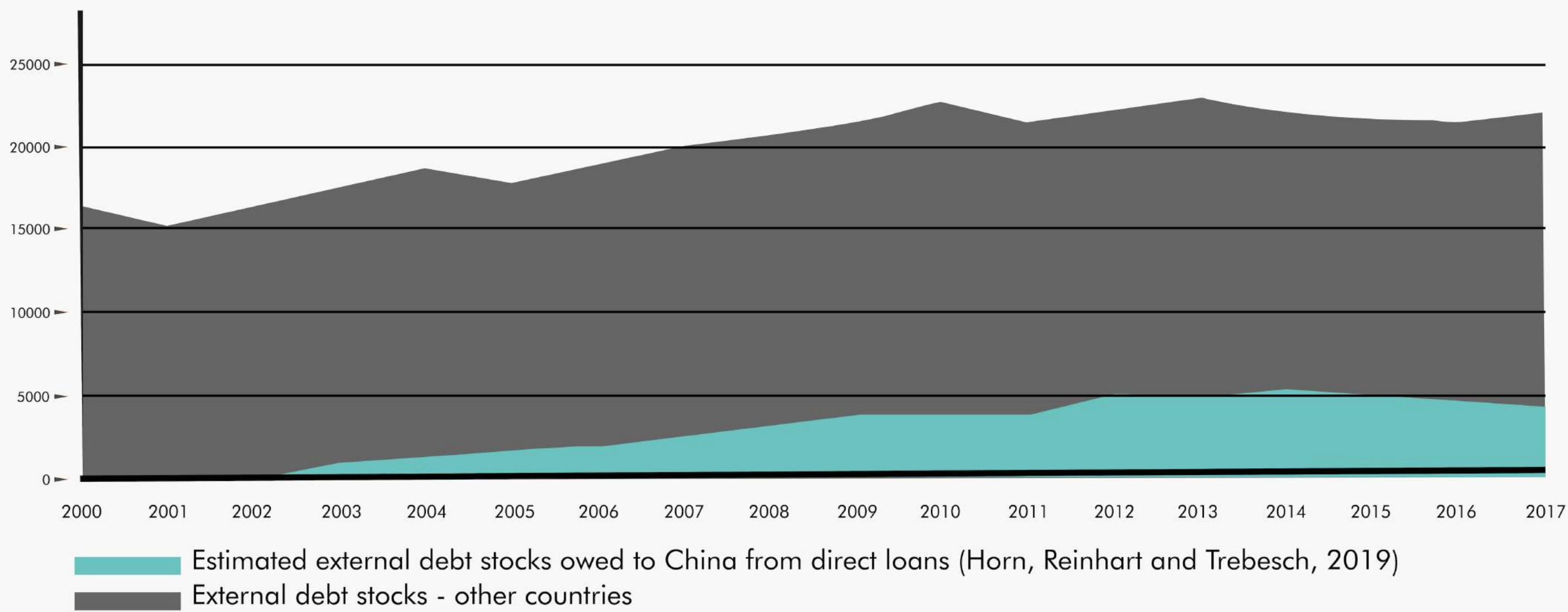
To support its efforts, on July 27, South Africa sought a new US\$4.3 billion concessional loan from the IMF with a concessional interest rate as part of the Rapid Financing Instrument, which will need to be repaid within 3.5 to 5 years.²²⁷ In addition, the National Treasury Strategy 2020-2025 planned to mobilize US\$10 billion from multilateral development banks to further support the economy.²²⁸

SUDAN

COUNTRY OVERVIEW



EXTERNAL DEBT STOCKS TO CHINA VS. OTHER COUNTRIES IN US MILLION



SHORT-TERM EXTERNAL DEBT

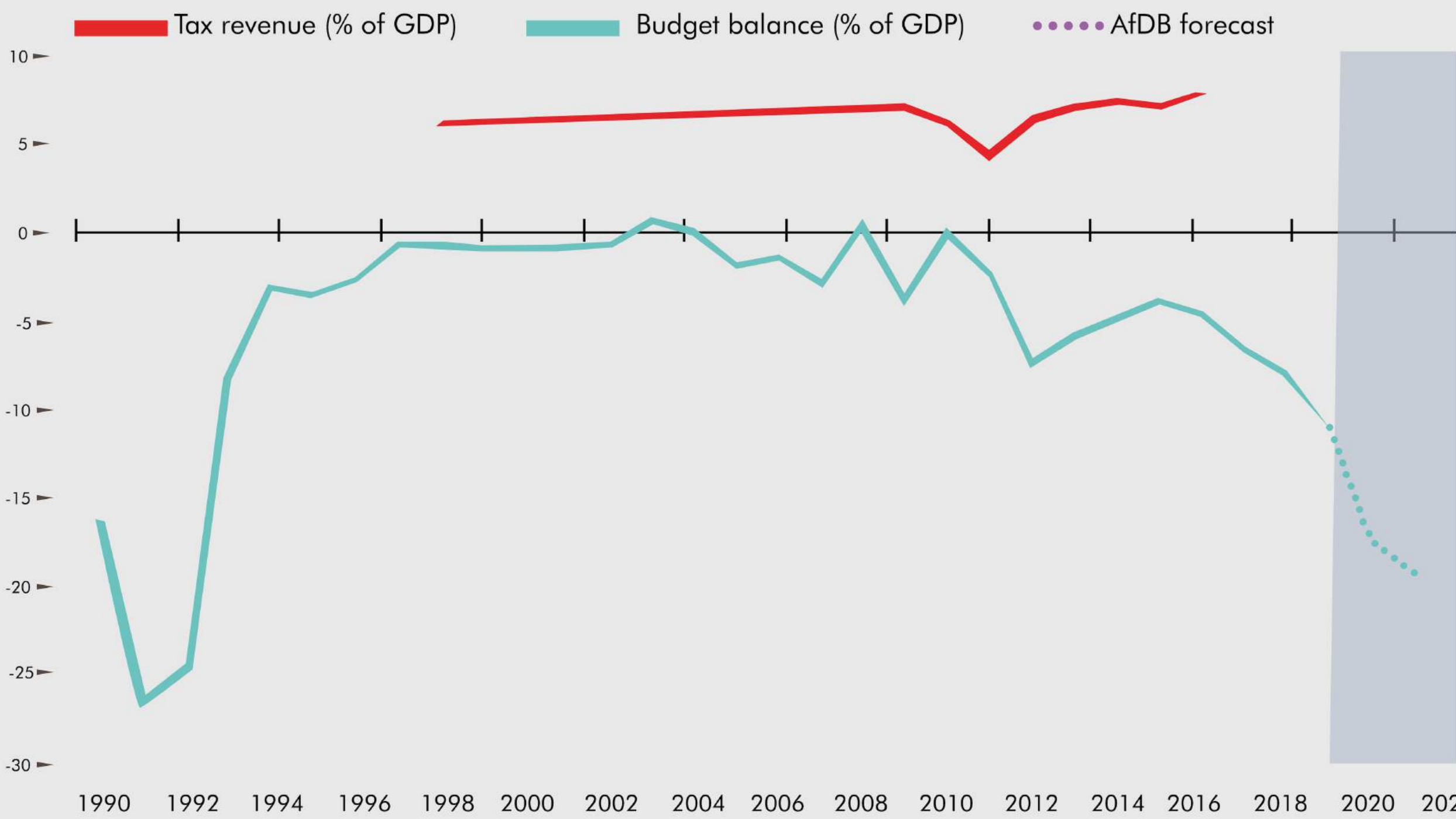


LONG-TERM EXTERNAL DEBT

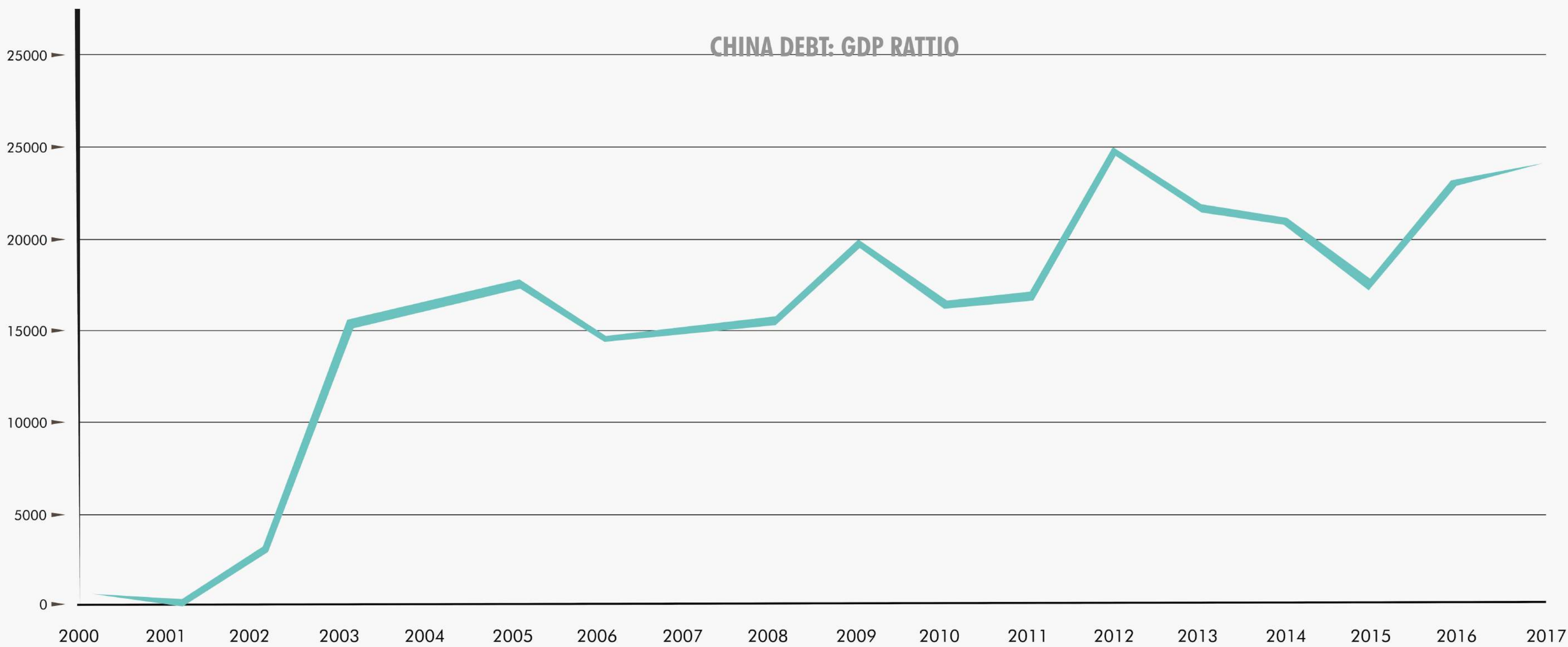
PRIVATE SECTOR (0%)

PUBLIC SECTOR (100%)

SUDAN REVENUE AND BUDGET BALANCE



CHINA DEBT: GDP RATIO



BRI and AfCFTA



Has signed Belt and Road Memorandum of Understanding? **Yes**

Has ratified Africa Continental Free Trade Agreement? **NO**

SUDAN

Debt History

Sudan's public debt to GDP ratio stood at its peak at 455% in 1992 but decreased to 75% in 2015. The reasons reflect a combination of internal and external factors. First, Sudan had suffered from economic underdevelopment in the 1970s and 1980s due to two civil wars. Poor economic performance along with political instability and reliance on foreign aid and finance caused an imbalance of trade and a decrease in revenue, which led to a huge accumulation of debt servicing arrears, making the country heavily indebted in the 1990s.

\$205 million Chinese debt relief

Not Part of HIPC Initiative

SUDAN IN 2021

-3%	economic growth
75%	public debt to GDP ratio
-4.3%	budget balance
2/ 8	DR's Debt Transparency Index

Second, Sudan could hardly access international financial system due to the U.S. sanctions in 1997. The sanctions included a trade embargo, freezing of government assets and limits on the country to transact in US dollars.²²⁹ Therefore, multilateral institutions did not provide debt relief or debt rescheduling programs for Sudan. The failure to repay total debt service made Sudan borrow more to service its debt payments resulting in a growing spiral of indebtedness.²³⁰ However, China provided some relief over the 2000-2018 period, on four different occasions, most recently in 2018.²³¹

In the past few years, Sudan's debt level has remained high. Its general governmental debt accounted for around 202% of GDP in 2019. Major challenges include the shrinking economy, high inflation, overvalued currency, and large fiscal deficits. Due to a weak business environment and social turmoil, economic growth contracted in 2018 and 2019, by an estimated 2.3% and 2.5%, respectively. The fiscal deficit has widened from 3.8% in 2015 to 10.8% in 2019, making the country more vulnerable to service its debt payments. Moreover, until late 2020 Sudan remained on the US State Sponsor of Terrorism list, which continued to exclude the country from being part of the Heavily Indebted Poor Countries (HIPC) debt relief programme.

Furthermore, Sudan scored joint bottom in the Debt Transparency Index, with no effective data portal provided by government, nor a debt management office or a public medium-term debt strategy, though it passed a Freedom of Information Law in 2015. Information about recent projects financed by loans from China and the World Bank and their focus in terms of the SDGs is therefore drawn from other sources, as shown below.

SUDAN

Sudan



THE WORLD BANK

Project Name	\$ million	SDGs
Integrated slaughterhouse (2017)	15	
New Khartoum International Airport (2014)	700	
Friendship Hall rehabilitation (2012)	19	

Project Name	\$ million	SDGs
Sudan Education COVID-19 Response (2020)	15	
Sustainable Natural Resources Management Project (SSNRMP3) Second Additional Financing (2020)	5.9	
Sudan Basic Education Emergency Support (2020)	11.58	

Chinese Debt Exposure

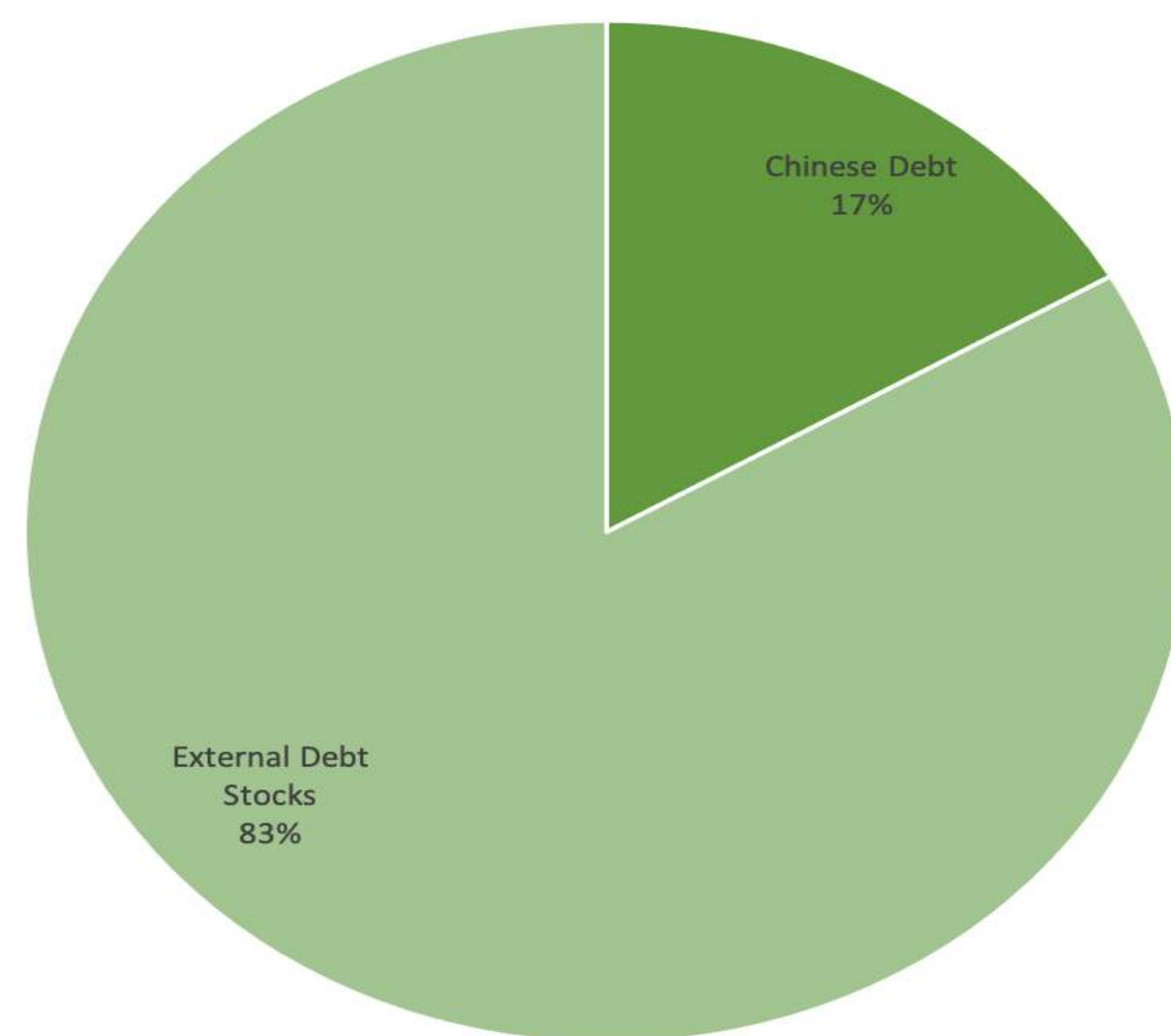
Chinese debt represents a substantial share of Sudan's external debt stocks and has increased from US\$174.1 million in 2002 to US\$4.4 billion in 2017,²³² now accounting for 20% of Sudan's total external debt stocks. This is partly because other donors are inactive in Sudan, due to sanctions from the US. For example, until 2020 Sudan was unable to get concessional loans from the World Bank due to protracted non-accrual status.²³³ However, China makes its own assessment. Thus, China Africa Research Initiative recorded that there are at least 68 Chinese loan projects in Sudan, varying from power stations, transport, the agriculture sector, as well as loans for military equipment. The total Chinese loans to Sudan during the period of 2000-2018 values at US\$6.81 billion based on CARI's figure,²³⁴ though this may be a conservative estimate.

In order to get access to finance, given a very low asset base, Sudan used flows of its resources such as oil and gold to provide collateral to be able to get loans from China – known as Resource Based Loans (RBLs). Such resource-backed loans (RBLs) provided a clear benefit to Sudan's citizens in the sense of ensuring oil revenues were fully dedicated (i.e. hypothecated) to infrastructure spending projects and ensuring less chances for funds to be lost to tax havens, for instance. In addition, in some cases, if well negotiated, such instruments can be designed to provide a buffer for borrowers against low oil (or other natural resource) prices,²³⁵ an issue that become pertinent in 2020 when oil prices plummeted.

On the other hand, there are potential opportunity costs associated with RBLs: Sudanese citizens may have preferred oil revenues to be spent on other issues such as education or health. In addition, such instruments do not eliminate the potential of overinflated project bids, which can be associated with corruption. Finally, if not well negotiated RBLs could still leave Sudan vulnerable to oil price fluctuations, especially unprecedented price shocks. For instance, if debt obligations and loan repayments are linked to a fixed price that has meant as the price falls, Sudan would be obliged to export larger quantities of resources to China to service its debt. However, it is not clear how Sudan has negotiated these RBLs with China, and with the independence of South Sudan obviously these loans are more limited. For example, in 2013, Sudan took a US\$1.5 billion loan with a five-year grace period from China.²³⁶ In 2018, China agreed to provide Sudan US\$58 million grants and US\$30 million interest-free loan for peace security and the economic development during the China-Africa Cooperation Forum.²³⁷

SUDAN

Figure: Chinese debt as a proportion of Sudan's total external debt stock



Source:
The World Bank,
Christoph Trebesch et al. *Chinese Debt Stock*

Current Financing Challenges

The arrears of debt service limits financing from the IMF, the World Bank, and the African Development Bank,²³⁸ make it extremely hard for Sudan to manage debt or invest in economic development and poverty reduction. At the same time, Sudan likely needs significant infrastructure finance to meet outstanding basic needs of the population and to cut poverty. Access to internet and electricity is particularly behind, and road infrastructure is currently very limited.

WHAT DOES SUDAN STILL NEED TO FINANCE? SOME EXAMPLES:

ACCESS TO ELECTRICITY FOR 40% OF THE POPULATION
ACCESS TO INTERNET FOR 70% OF THE POPULATION
IMPROVING TRADE INFRASTRUCTURE BY 42% TO REACH CHINESE LEVEL
IMPROVING ROAD INFRASTRUCTURE BY 372% TO REACH CHINESE LEVEL



However, with already “high” levels of public debt it is unclear how this could be provided internally or even externally. According to the IMF, Sudan is IN debt distress, with the Jubilee debt campaign predicting a debt crisis in 2020, highlighting vulnerabilities in Sudan’s ability to fulfil debt obligations.

The COVID19 Impact

COVID-19 has created further challenges to Sudan’s debt situation. Sudan is heavily dependent on agriculture, which accounted for 32% GDP in 2019. However, the pandemic alongside the lockdown and the lack of basic infrastructure led to a decrease in agricultural exports. Due to COVID-19, economic growth is projected at negative 7.2% in 2020 and negative 3% in 2021. The collapse of oil price, a decrease in exports as well as an increase in public spending to respond to the pandemic are expected to widen the fiscal deficit in 2020 to 17.2% of GDP in the worst case projected by the African Development Bank, making it difficult for the country to service its debt payments.

SUDAN

Hence, Sudan's COVID19 response has had to be fairly limited to just 0.3% of GDP - by September 2020 the budget was just US\$120 million. This included providing social assistance through food distribution and cash transfers that were intended to reach 1.9 million people across the country, 4.4% of the population.²³⁹

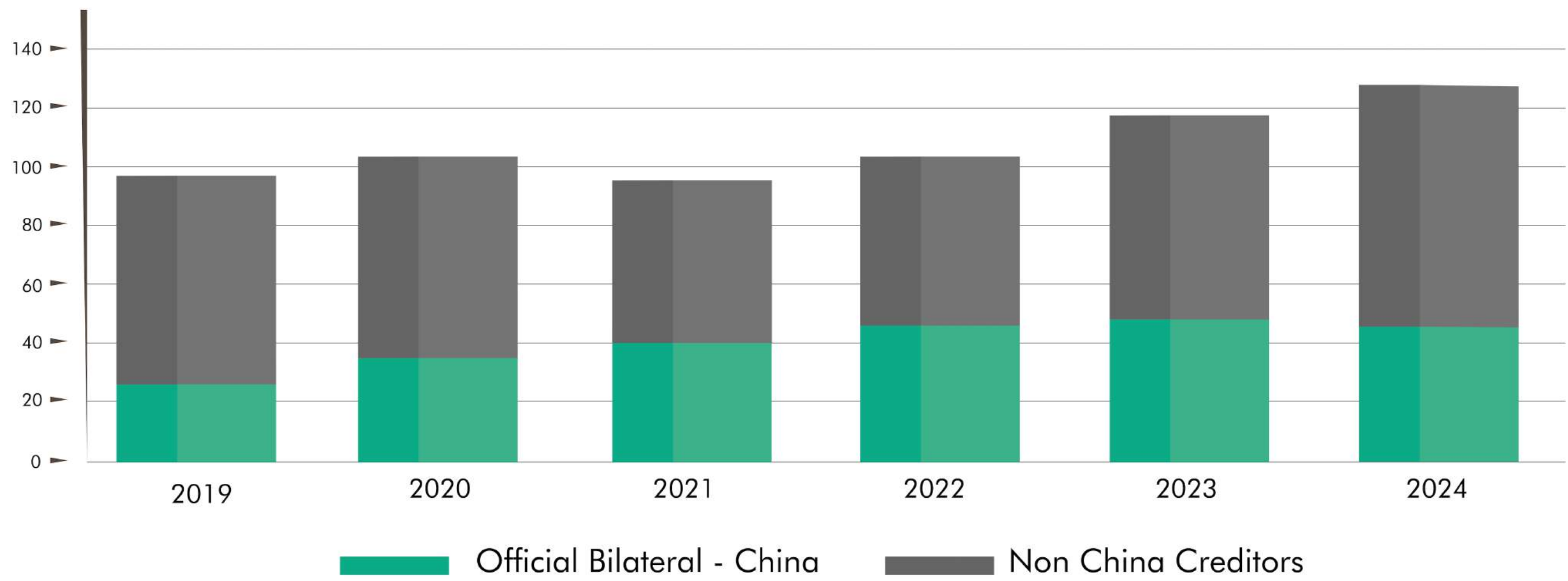
Moreover, Sudan is restricted by the IMF and World Bank classification in participation of the G20's Debt Suspension Initiative (DSSI). However, on September 30 2020, Sudan sought a small US\$22 million grant from the World Bank under its Health Emergency Preparedness and Responses Trust Fund and the Sudan Transition and Recovery Support Trust Fund (US\$15.5 million) to help manage the health and economic impacts of the COVID-19.²⁴⁰ This followed agreement in June 2020 by Sudan to a new Staff-Monitored Program by the IMF aimed at changing macroeconomic conditions, economic structures and governance.²⁴¹

TOGO

COUNTRY OVERVIEW



PROJECTED DEBT SERVICE TO CHINA VS. OTHER CREDITORS (USD MILLIONS)



SHORT-TERM EXTERNAL DEBT



LONG-TERM EXTERNAL DEBT

PRIVATE SECTOR (0%)

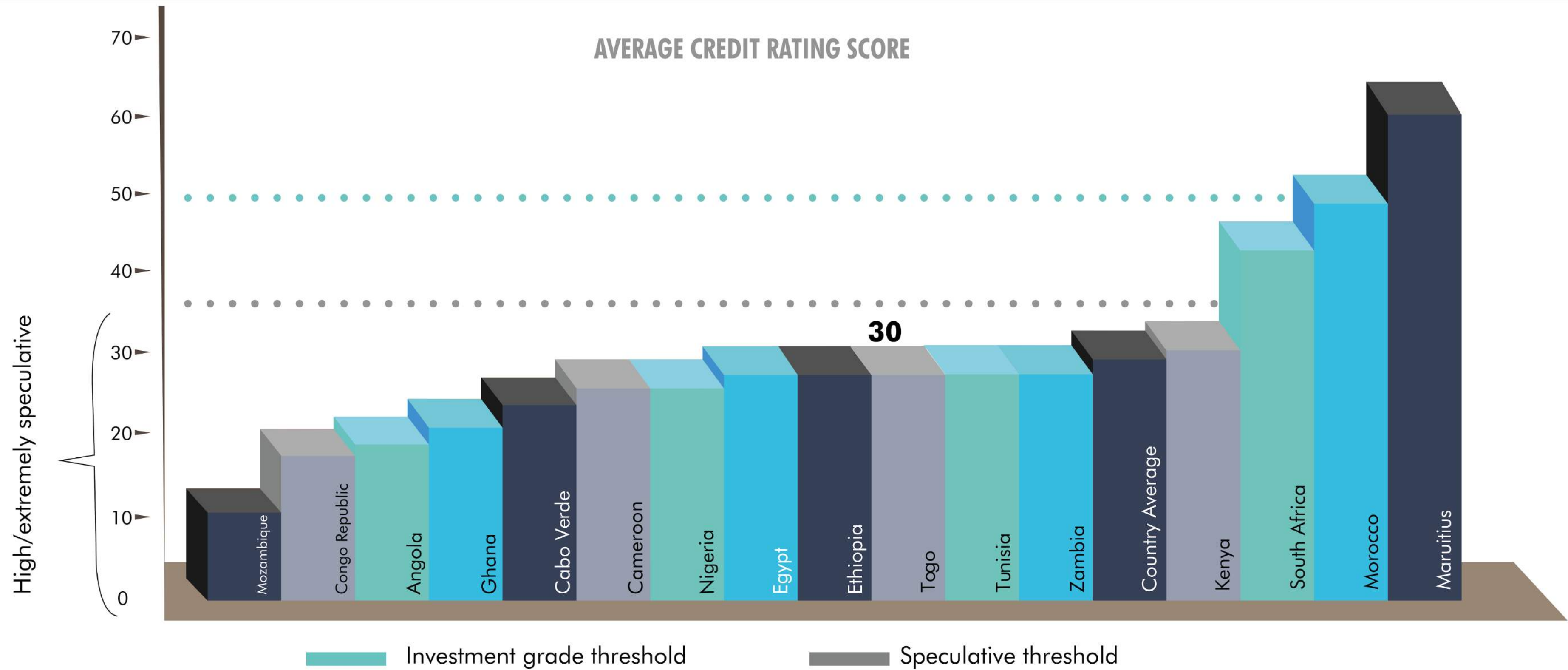


PUBLIC SECTOR (100%)

TOGO DEBT TO GDP RATIOS



AVERAGE CREDIT RATING SCORE



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? **Yes**
Has ratified Africa Continental Free Trade Agreement? **Yes**

TOGO

Debt History

Togo’s debt rose during the debt crisis of the 1980s and early 1990s. The country is heavily dependent on commercial and subsistence agriculture and is among the world’s largest phosphate producers.²⁴²Togo is also strategically important for many donors in maritime networks in the Gulf of Guinea, including China.

TOGO IN 2021

- 4% economic growth
- 37% public debt to GDP ratio
- 1.6% budget balance
- 4.5/ 8 DR’s Debt Transparency Index

Togo’s public debt to GDP ratio stood at an average of 93% per year between 1977 to 1995. Prior to this, Togo had been investing ambitiously in infrastructure, but the fall of commodity prices and higher interest rates led the amount of external borrowing to rise versus GDP.²⁴³Political turmoil took place in 1992 and 1993 and lower revenues from the phosphates industry made the country unable to service its debt, which aggravated the situation and led the public debt to GDP ratio rise even further to 122% by 1995. However, since 2007, the government decided to make democratic policy changes and clear arrears to the World Bank, and this enabled it to be eligible for the HIPC debt initiative. This helped reduce Togo’s public debt level to GDP ratio to 62% in 2015.²⁴⁴China also provided some amount of debt relief to Togo over the 2000-2018 period, equating to approx. 20% of the amount received via HIPC.

- \$282 million committed debt relief through HIPCI
- \$53 million Chinese debt relief
- \$6 million UK debt relief
- None USA debt relief

Since 2008, Togo has experienced economic growth with an average rate of 5.5% per year, in particular due the success of export processing zones.²⁴⁵In addition, Togo has one of West Africas’ few natural deep-water ports – which has benefitted from multilateral and Chinese foreign direct investment (not loans), and which has promoted regional and international trade.²⁴⁶ The strong economic performance narrowed the fiscal deficit to 0.8% of GDP in 2018, compared to 6.3% in 2011.

However, in 2017, 8.1% of its total government expenditure was paid towards debt interests. For comparison, health expenditure only accounted for 5% of the total governmental expenditure.²⁴⁷ This may mean there are opportunity costs of debt payments – unless the debt being serviced is helping to raise citizen’s standards of living and/or is generating a return. Examples of the sorts of projects that Togo has been able to finance recently by taking loans from the World Bank and China are shown below.

TOGO

Togo



SUSTAINABLE DEVELOPMENT GOALS



THE WORLD BANK

Project Name	\$ million	SDGs
Niamtougou Airport Re-development (2016)	44	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Lome International Airport Extension (2 More Terminals) (2016)	62	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Adjarala Dam (2016)	57	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Project Name	\$ million	SDGs
Togo COVID-19 Education Response Project (2020)	6.85	4 QUALITY EDUCATION
Togo COVID-19 Emergency Response and Systems Preparedness Strengthening Project (2020)	8.1	3 GOOD HEALTH AND WELL-BEING
Togo First Fiscal Management and Energy Reform DPF (2020)	150	7 AFFORDABLE AND CLEAN ENERGY

Togo reorganized its Debt Management Office and issued a Freedom of Information Law in 2016 but only publicized limited data information on budget and economic analysis, making the country mid-range in the Debt Transparency Index.

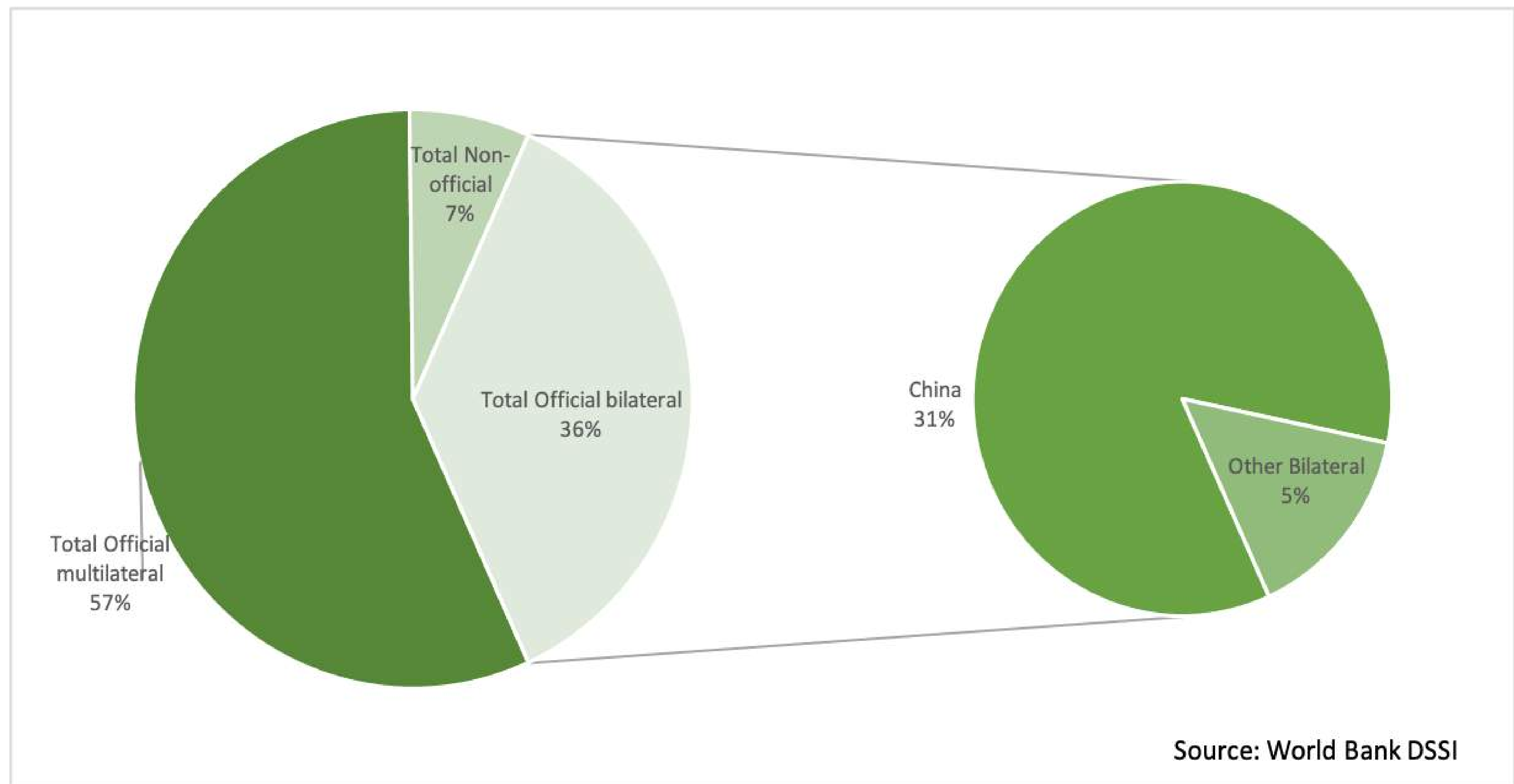
Chinese Debt Exposure

Togo has sought more debt from China over the past decades, with Chinese debt accounting for 0.8% of its total external debt stocks in 2004, increasing to 45% in 2015, though the ratio stood at 26% in 2017. According to China Africa Research Initiative, China at least provided 16 loan projects to Togo, focusing on transport and power as well as the communications sector.²⁴⁸ For example, in 2008, China granted a loan of over US\$9.2 million to Togo for projects in health, education, agriculture, and energy.²⁴⁹ In 2009, China provided US\$241 million loan to Togo for the road rehabilitation.²⁵⁰

China is Togo's largest official bilateral creditor. In 2018, Chinese debt amounted to around 81% of Togo's total official bilateral debt. Togo is one of the 44 African countries that have signed Belt and Road Initiative MOUs with China. China has provided support to Togo in areas including agriculture and infrastructure development. China has also committed to further assist Togo to industrialise further and crack down on transnational crimes.²⁵¹

TOGO

Figure 12: Breakdown of Togo's debt stocks



Current Financing Challenges

WHAT DOES TOGO STILL NEED TO FINANCE?
SOME EXAMPLES:

ACCESS TO ELECTRICITY FOR 1% OF THE POPULATION
ACCESS TO DRINKING WATER FOR 35% OF THE POPULATION
ACCESS TO INTERNET FOR 88% OF THE POPULATION
IMPROVING TRADE INFRASTRUCTURE BY 41% TO REACH CHINESE LEVEL
IMPROVING ROAD INFRASTRUCTURE BY 33% TO REACH CHINESE LEVEL



Togo has a strong public infrastructure in terms of electricity access, but there are still significant future financing needs to meet the SDGs – for example access to internet as well as for some improvements to trade and road infrastructure.

This might be possible to do through external finance. Togo's public debt decreased from 76.2% of GDP in 2018 to 70.9% of GDP in 2019, and as a result the IMF believes this means it simply has a moderate risk for its debt sustainability analysis in 2020.²⁵² Togo works with the IMF and the World Bank on public financial management. In terms of its credit worthiness, Moody's credit rating for Togo was reported at B3 with a stable outlook, but it is below investment grade and highly speculative.²⁵³ Along with Zambia, its credit rating is the fifth strongest amongst the countries analysed in this guide.

TOGO

The COVID19 Impact

COVID-19 has slowed down Togo's economic development. The economy was estimated to grow by just 1% in 2020 but could contract by 1.3% based on the worst case according to the African Development Bank.

Togo has tried to counteract these impacts by dedicating a budget - by September 2020 - of \$932 million on Covid-19 mitigation programmes, amounting to 17.4% of GDP. This included social assistance through cash transfers to provide food, water, power and communication to vulnerable households. In total, their social assistance programmes have been estimated to reach 1 million people across the country, 12% of the population.

However, due to the decrease in government revenues and increase in expenditure, the fiscal deficit will widen to up to 6.4% of GDP in 2020 in the AfDB's worst-case scenario.

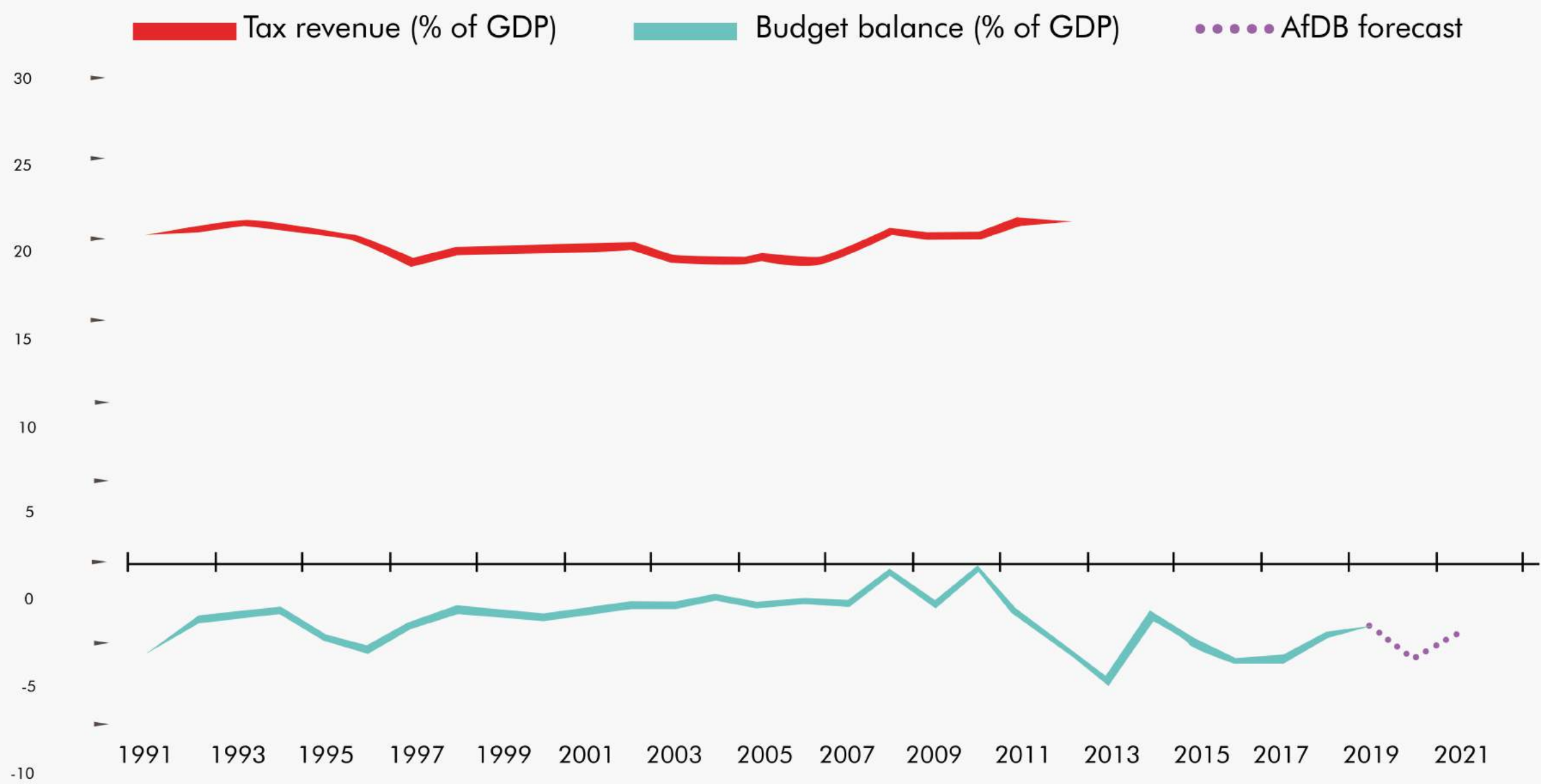
Togo has therefore been eligible for and participated in the G20's debt service suspension initiative (DSSI), which would allow the country to suspend paying a total of US\$24.4 million²⁵⁴ to its official bilateral creditors – including China – by the end of 2020. On April 13, Togo requested and was approved for a US\$5.12 million grant under the IMF's²⁵⁵ Catastrophe Containment and Relief Trust (CCRT), and a second grant of US\$3.26 million on October 2 2020. In addition, Togo has also taken out a US\$97.1 million loan from the IMF's Extended Credit Facility (ECF), which has a 5.5 year grace period and needs to be paid back within 10 years.²⁵⁶ China also donated medical supplies to Togo to help the country fight against COVID-19.²⁵⁷

TUNISIA

COUNTRY OVERVIEW



TUNISIA REVENUE AND BUDGET BALANCE

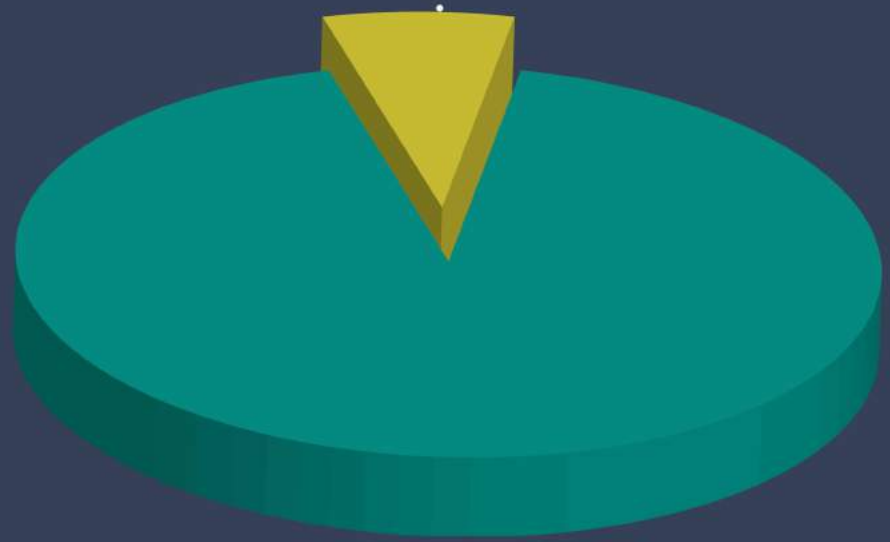


SHORT-TERM EXTERNAL DEBT



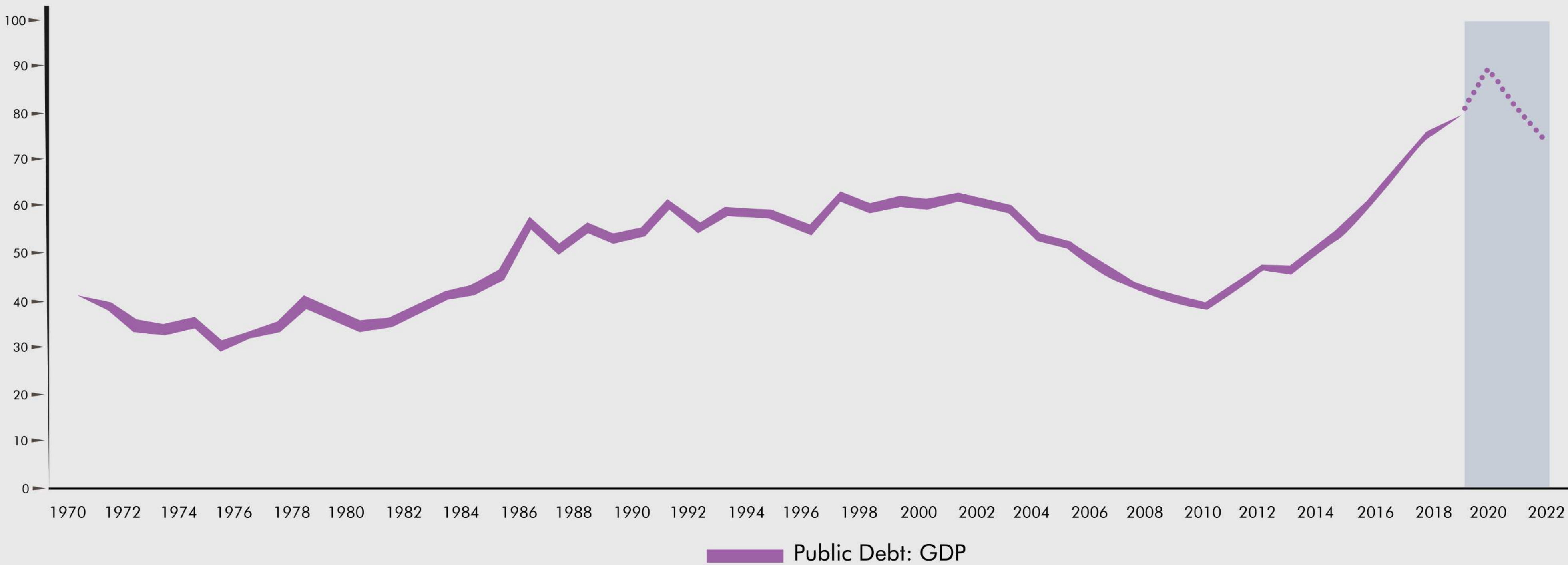
LONG-TERM EXTERNAL DEBT

PRIVATE SECTOR (10%)

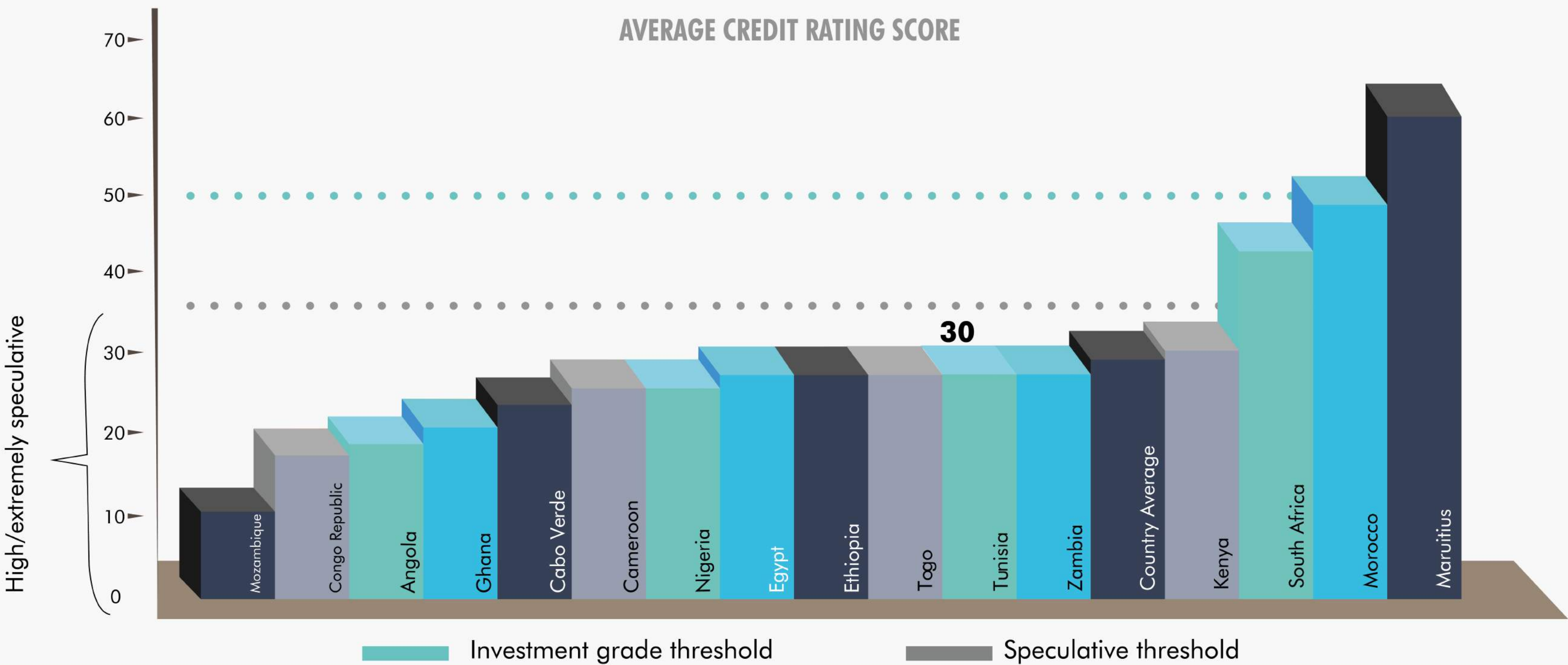


PUBLIC SECTOR (90%)

TUNISIA DEBT TO GDP RATIOS



AVERAGE CREDIT RATING SCORE



BRI and AfCFTA



Has signed Belt and Road Memorandum of Understanding? **Yes**
Has ratified Africa Continental Free Trade Agreement? **NO**

TUNISIA

Debt History

Tunisia's public debt level remained relatively low until the early 2000s with an average debt to GDP ratio of 48% per year by 2002. The ratio continued to decrease and amounted to 39% in 2010. This was mainly due to prudent debt management policy, as Tunisia was never part of HIPC and has never announced receiving any debt cancellation from China.

TUNISIA IN 2021

4.1%	economic growth
82%	public debt to GDP ratio
-4.5%	budget balance
6.5/ 8	DR's Debt Transparency Index

Specifically, Tunisia undertook a structural adjustment program and liberalized its economy, which brought lending from the World Bank and other creditors. During this period, Tunisia developed its access to international capital market and established domestic government fixed income instruments, which enabled it to reduce dependency on external debt. Furthermore, Tunisia's Five-Year Development Plan detailed a commitment to keep the total amount of national debt under 60-65 percent of its GDP - to secure its fiscal sustainability.²⁵⁸

However, since the Arab Spring and 2011, Tunisia's debt burden has significantly increased from 43% to 80% in 2019. Prior to this, the economy was growing at an average of 4.3% a year. The post-Arab Spring period in Tunisia led to a sharp decline in economic development: the economic growth rate was estimated at -1.9% in 2011. Moreover, although its geographic location provided easier access to the Southern Mediterranean, the Arab World and the European market, the recession in Europe after 2008 global financial crisis further deteriorated the economy, as the EU accounted for nearly 80% of Tunisia's exports, making it difficult to diversity exports.²⁵⁹ The government of Tunisia made efforts to boost economic growth thereafter, but the progress was slow. Specifically, successive terrorist attacks against the tourism sector and worker strikes in the phosphate sector, key sources of foreign currency income, caused a depreciation of the Tunisian Dinar, which further decreased the government revenues.²⁶⁰ Taken together, the fiscal deficit widened from 0.6% of GDP in 2010 to 6% of GDP in 2017, bringing into question Tunisia's ability to repay debt.

However, Tunisia provides a relatively comprehensive range of government data, including budget, fiscal information and debt documents. Tunisia has established a debt management office, passed the Right to Access Information Law, and signed to the Open Government Partnership, leaving it top range amongst analyzed countries in the Debt Transparency Index. Examples of projects Tunisia has recently financed using loans from the World Bank and China are shown below.

Tunisia



Project Name	\$ million	SDGs
Purchase of 20 trains (2009)	80	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Telecom project (2007)	3	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Equipment procurement and engineering services to National Telecommunications Corporation of Tunisia (2006)	6	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Project Name	\$ million	SDGs
Tunisia First Resilience and Recovery Emergency Development Policy Financing (2020)	175	8 DECENT WORK AND ECONOMIC GROWTH
Energy Sector Improvement Project (2019)	151	7 AFFORDABLE AND CLEAN ENERGY
Tunisia Innovative Startups and SMEs Project (2019)	75	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

TUNISIA

Chinese Debt Exposure

The number of Chinese loans to Tunisia is relatively small with the total amount of US\$131 million based on the data from China Africa Research Initiative.²⁶¹ Little data is available, however it indicates China may account for less than 1% of Tunisia's current external loan portfolio. There were only seven loan projects recorded during the period between 2000 and 2009 and most were allocated to the communication sector. One loan was provided for the construction of Tunisian National Railways in 2009, which accounted for US\$80 million.²⁶²

However, since the launch of the Belt and Road Initiative in 2013, Tunisia and China have increased cooperation. In 2018, Tunisia became one of the 44 African countries to sign an MOU on the BRI with China. Thereafter in 2019, China granted the government of Tunisia two donations worth 272 million RMB (approx. US\$41 million) under two cooperation agreements between the two countries.²⁶³ China helped the construction of the Sfax hospital starting in 2016 and in 2019 China further provided US\$70 million in grants to expand a new university hospital.²⁶⁴ The countries also have cooperation in youth exchange and scientific research such as AI development and ITC enhancement.²⁶⁵

Current Financing Challenges

The Jubilee debt campaign predicts a debt crisis in Tunisia in 2020, with debt payments reducing the capacity to mobilize domestic resources and highlighting vulnerabilities in Tunisia's ability to fulfil debt obligations.²⁶⁶ The IMF does not assess Tunisia's debt sustainability as it is classified as a middle-income country. In terms of its creditworthiness, Fitch downgraded Tunisia's credit rating to 'B' with a stable outlook on May 12, 2020,²⁶⁷ which is below investment grade and highly speculative and suggests a vulnerable capacity for continued payment under the deteriorating business and economic environment.²⁶⁸ Continued access to domestic and international finance could help Tunisia to meet outstanding long-term infrastructure financing needs – for example to provide internet access to the entire population as well as improving trade and road infrastructure to more efficient levels.

WHAT DOES TUNISIA STILL NEED TO FINANCE?

SOME EXAMPLES:

ACCESS TO INTERNET FOR 37% OF THE POPULATION

IMPROVING PORT INFRASTRUCTURE BY 28% TO REACH CHINESE LEVEL

IMPROVING ROAD INFRASTRUCTURE BY 36% TO REACH CHINESE LEVEL



The COVID19 Impact

The COVID-19 pandemic has challenged Tunisia's economy and therefore its debt to GDP levels. The country's economic growth was already expected to slow down at 1% in 2019 before the pandemic. By September 2020 the government in Tunisia had set aside 2.2% of GDP (\$8 billion) for measures including social assistance through cash transfers to informal sector households and households with an elderly or disabled resident. These programmes were intended to reach 4.8 billion people across the country, 41% of the population. However, the global lockdown, the collapse of oil price, and the decrease in exports have led to a deeper recession with the latest forecast at an -9% contraction in 2020.²⁶⁹ In this context, the unemployment rate is expected increase from 15% to 18%, at the similar level as in 2011. The loss of growth may contribute to an increase in the fiscal deficit at 6% of GDP in 2020 and 4.5% of GDP in 2021 based on the worst-case scenario according to the African Development Bank.

TUNISIA

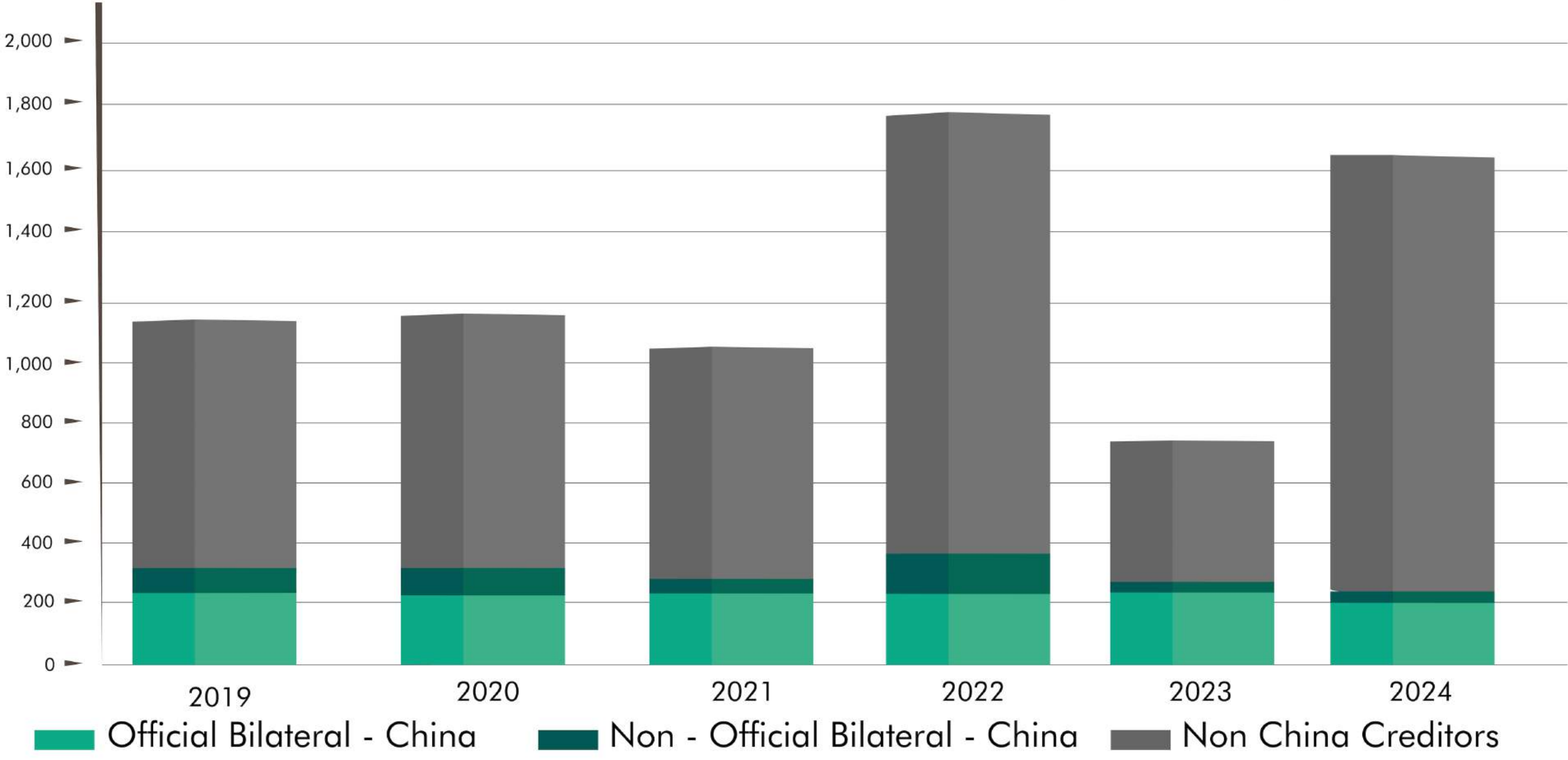
Tunisia, as a lower middle-income country, is not eligible for the G20's Debt Suspension Initiative (DSSI).²⁷⁰ However, Tunisia has requested a US\$745 million emergency assistance loan from the IMF's Rapid Financing Instrument to help the country cope with the effects of the COVID-19 pandemic, which will need to be repaid within 3.5 to 5 years.²⁷¹

ZAMBIA

COUNTRY OVERVIEW



PROJECTED DEBT SERVICE TO CHINA VS. OTHER CREDITORS (USD MILLIONS)



SHORT-TERM EXTERNAL DEBT



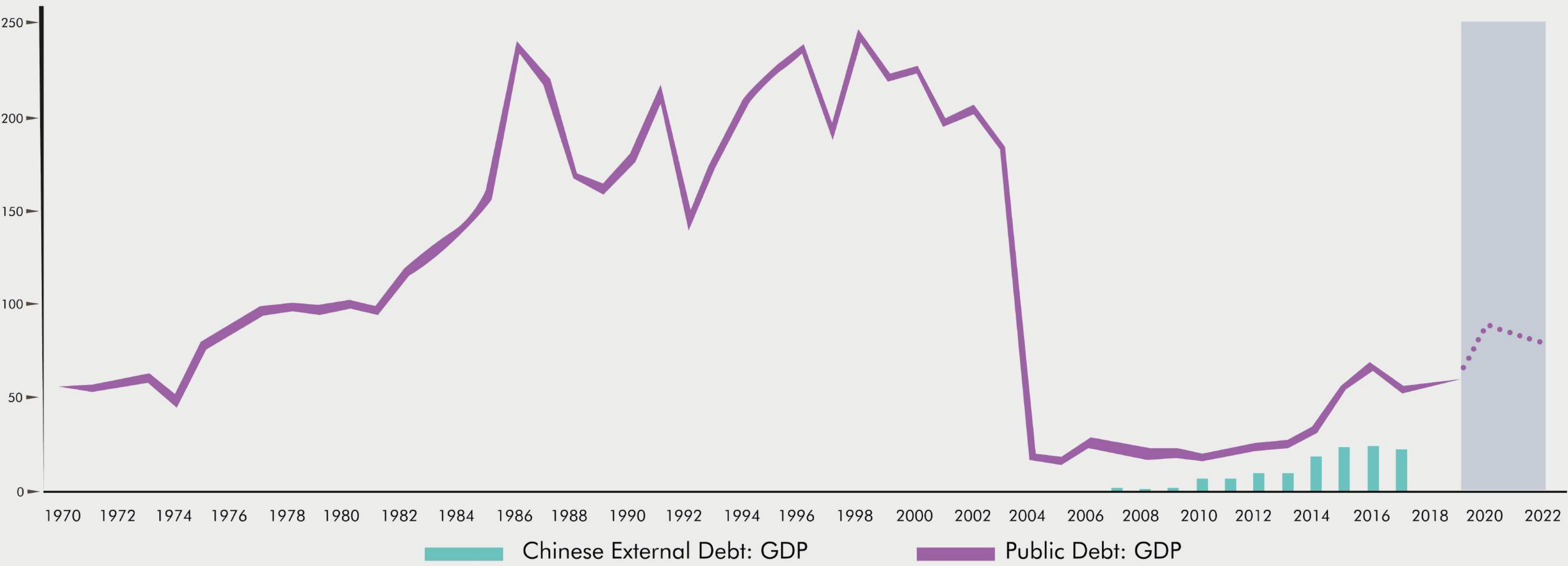
LONG-TERM EXTERNAL DEBT

PRIVATE SECTOR (44%)

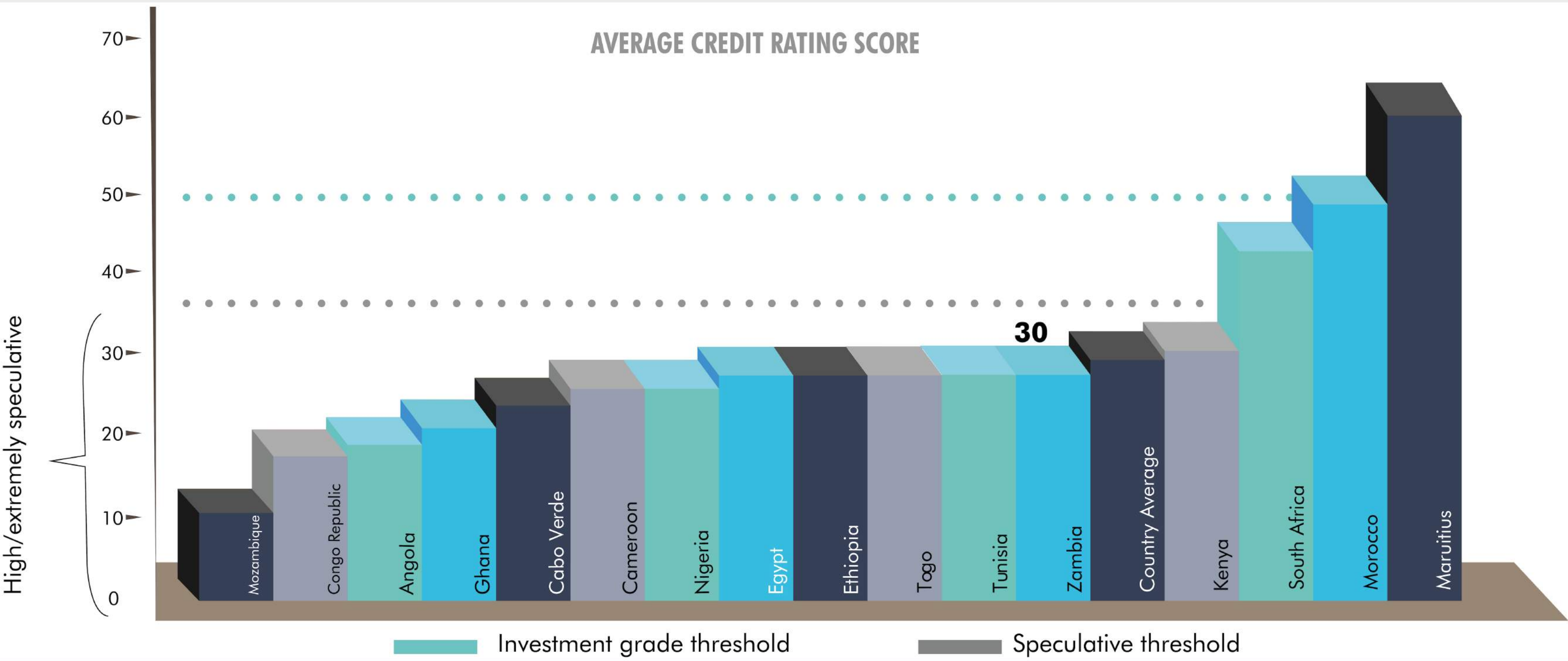


PUBLIC SECTOR (56%)

ZAMBIA DEBT TO GDP RATIOS



AVERAGE CREDIT RATING SCORE



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? **Yes**
Has ratified Africa Continental Free Trade Agreement? **NO** – pending Parliamentary approval

ZAMBIA

Debt History

Zambia’s public debt to GDP ratio significantly increased during the 1970s, reaching over 100% of GDP in 1980. The ratio rose further to an average of 182% of GDP per year by the early 2000s. This was mainly due to the decrease in the price of copper – which was the major export earning of Zambia, and the rising interest rate on existing debts – rather than any new debts

ZAMBIA IN 2021

- 2.3% economic growth
- 85% public debt to GDP ratio
- 5% budget balance
- 4.5/ 8 DR’s Debt Transparency Index

First, in early 1970s, copper and processing of the metal accounted for more than 90% of Zambia’s foreign exchange earnings.²⁷² The decline in the world copper prices and in Zambian copper output due to the flooding substantially decreased government revenues, which meant Zambia had to borrow money to keep the country running. Second, due to the second oil price shock in 1979, interest rates on Zambia’s loans taken in the 1970s for infrastructure and investment began to rise, making it difficult for Zambia to pay back the loans. The accumulation of arrears then significantly increased its debt level.

\$2.5 billion committed debt relief through HIPCI

\$259 million Chinese debt relief

\$151 million UK debt relief

\$122 million USA debt relief

Zambia’s public debt to GDP ratio decreased significantly from 183.5% of GDP in 2003 to only 19.3% of GDP in 2004. It was the debt relief from the Heavily Indebted Poor Countries (HIPC) Initiative which contributed to the sharp decrease of Zambia’s debt level.²⁷³ Zambia completed the HIPC in 2005 along with significant support through the Multilateral Debt Relief Initiative, and also debt cancellation from China, which eased its debt burden.

During the period of 2004 and 2015, the Debt to GDP ratio then remained low, with only around 22.4% of GDP per year. This period of time also witnessed the economic development of Zambia. Its GDP growth between 2000-2014 averaged roughly 6.8% per year.²⁷⁴

The economy of Zambia then slowed again to 3.1% per year between 2015 and 2019, due to falling copper prices, declines in agricultural output, and droughts. At the same time, its public debt level increased again to 59% of GDP in 2018. One major reason was that Zambia graduated from being a lower middle-income country in 2011, which limited its access to concessional loans. Therefore, Zambia began to borrow money in the Eurobond market at commercial rates, meaning higher interest and shorter time frames – and therefore overall higher debt repayments.²⁷⁵

In 2017, the Ministry of Finance of Zambia introduced a Medium-Term Debt Strategy 2017-2019 to manage the risk exposure in Zambia’s public debt portfolio and guide decision making for the country. The Strategy aimed to restructure the Debt Office to increase debt management capacity and to ensure debt data credibility. The Strategy also intended to follow the IMF-advocated thresholds/ratios to further ensure debt sustainability over the medium to long term.²⁷⁶

As a result, Zambia scores in the mid-range of the Debt Transparency Index, with the government providing incomplete debt stocks data or economic reports as well as only drafting the Freedom of Information rules. Examples of projects Zambia has recently been able to finance in recent years with loans from the World Bank and China, and the different SDGs they may be helping Zambia to achieve, are shown below.

ZAMBIA

Zambia



SUSTAINABLE DEVELOPMENT GOALS



THE WORLD BANK

Project Name	\$ million	SDGs
Defense Project (2018)	171	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
FTJ Luapula University Construction in Mansa (2018)	191	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Defense Project (2018)	210	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Project Name	\$ million	SDGs
Irrigation Development Support Project - Additional Financing (2020)	30	2 ZERO HUNGER
Zambia Education Enhancement Project (2020)	120	4 QUALITY EDUCATION
Additional Financing for Girls' Education and Women's Empowerment and Livelihood Project (GEWEL) (2020)	177	5 GENDER EQUALITY

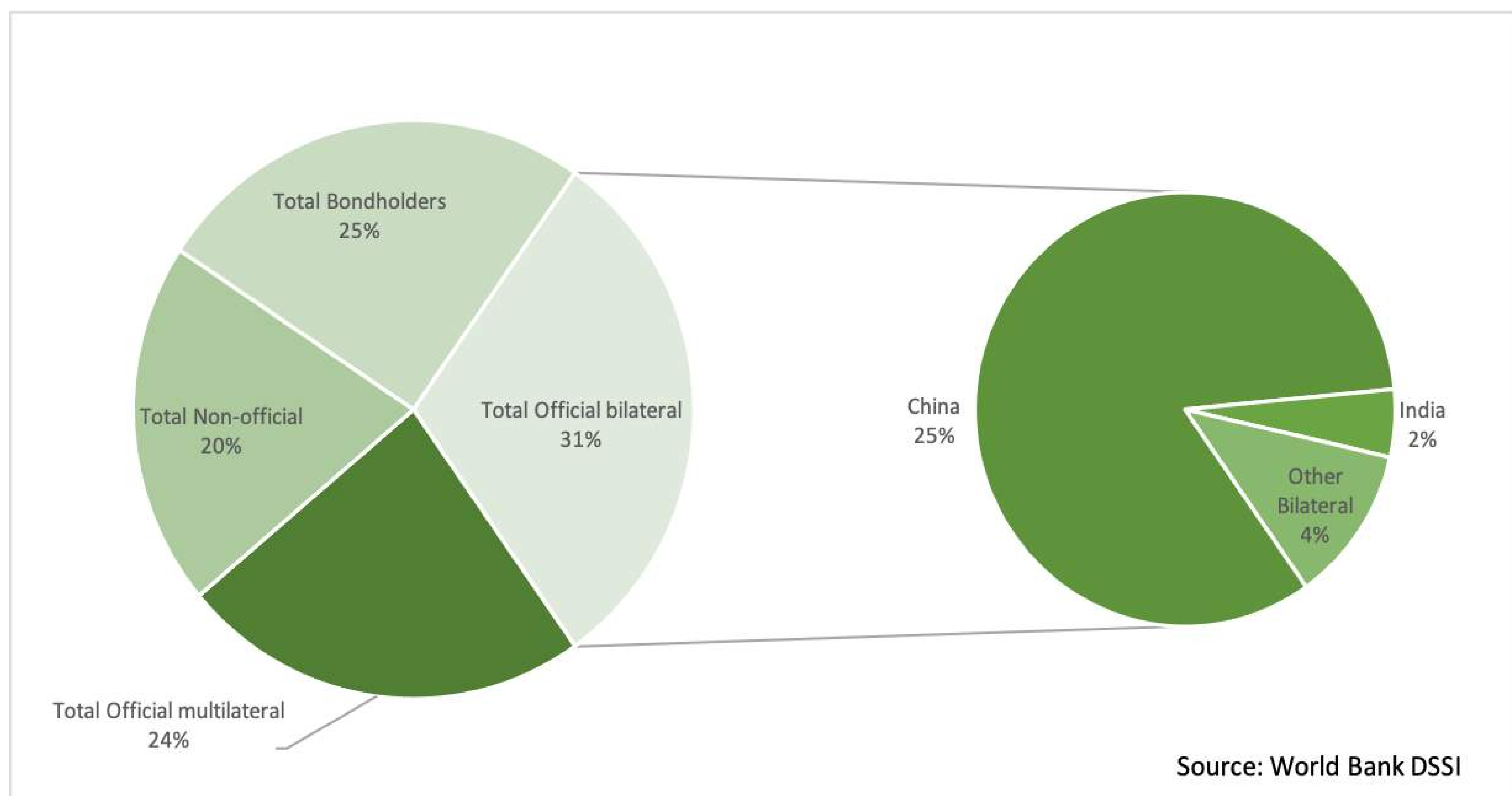
Chinese Debt Exposure

Zambia currently has 25% of all its external loans owed to China, the same percentage as owed to the private sector (via “Eurobonds”). This makes China Zambia’s largest official bilateral creditor. In 2019, Chinese debt payments accounted for 29% of Zambia’s total debt payment, compared to private sector payments of 25%. According to the China Africa Research Initiative, China provided at least 69 loans – one of the highest numbers among the 20 countries examined in this guide - to Zambia from 2000-2018, totalling almost US\$9.7 billion at end-2018. The loans were mainly used in developing transport and power infrastructure. In addition, the amount of loans from China has increased since 2000. Based on the calculation of data from CARI, in 2009, Chinese loans amounted at US\$170 million in 2009, but Zambia borrowed US\$2.2 billion in 2017 from China.²⁷⁷

China cancelled Zambia’s debt in 2001, 2006, and 2007, with the amount of US\$40 million, US\$211 million and US\$8 million, respectively.²⁷⁸ For comparison, Zambia received US\$2 billion in committed debt relief through the HIPC initiative.²⁷⁹

ZAMBIA

Figure 13: Breakdown of Zambia's debt stocks



Current Financing Challenges

Zambia's forecast public debt is expected to reach 90% of its GDP in 2020. Zambia needs significant infrastructure finance to meet outstanding basic needs of the population and to cut poverty. Access to water, electricity and internet are particularly behind, and road infrastructure is currently very limited.

WHAT DOES ZAMBIA STILL NEED TO FINANCE?
SOME EXAMPLES:

ACCESS TO ELECTRICITY FOR 60% OF THE POPULATION
ACCESS TO DRINKING WATER FOR 77% OF THE POPULATION
ACCESS TO INTERNET FOR 46% OF THE POPULATION
IMPROVING ROAD INFRASTRUCTURE BY 234% TO REACH CHINESE LEVEL



Despite these financing needs, the country is identified at a high risk of debt distress by the IMF and the Jubilee debt campaign predicts a debt crisis in the country in 2020, with high debt payments alongside low capacity to mobilize domestic resources due to COVID19 (see below). In terms of creditworthiness, Fitch downgraded Zambia's credit rating on its foreign currency to 'RD' on November 18th 2020,²⁸⁰ which means "restricted default" and indicates that in Fitch's opinion, Zambia has experienced a payment default or distressed debt exchange on its financial obligation. Zambia's credit rating is nevertheless still the fifth strongest amongst the countries analysed in this guide.

ZAMBIA

The COVID19 Impact

COVID-19 has made an already slowing economy even worse. Before COVID-19, Zambia's economic growth declined to 1.5% in 2019 from 4% in 2018. Zambia's economy heavily depends on exports of copper, which generates 70% of the country's export earnings. As the pandemic disrupted the global trade and has negatively affect the country's key sectors including tourism, mining, manufacturing, and wholesale, according to the IMF, the economy is projected to contract by about 4.5% in 2020. The AfBD forecasts a sharp contraction in economy by 6.5% in 2020 based on the worst-case scenario.²⁸¹ However, to counteract Covid19's health and economic impacts, by September 2020 the government in Zambia had only been able to budget \$177 million (0.7% of GDP). This included a social assistance programme providing support through monthly cash transfers to vulnerable households. This programme was intended to reach 1 million people across the country, 5.4% of the population.

To make matters worse, since January 2020, copper prices have fallen by about 20%, which has significantly decreased government revenues. The fiscal deficit is expected to widen to around 10.7% in 2020 and 9.8% in 2021, according to the worst-scenario forecast by the AfDB.

Zambia has decided to participate in the G20's debt service suspension initiative (DSSI), and after some negotiations Zambia's bilateral donors within the G20 have agreed to provide Zambia with a suspension of debt service until the end of 2020. The estimated DSSI savings amounted at US\$165.4 million.²⁸²

In October and November 2020 respectively, Zambia also became the first country to announce, deferred payments to its Chinese creditors – namely China Development Bank (undisclosed amount – payments due up to April 2021) and Exim Bank of US\$110 million.²⁸³ According to its 2019 Economic Report, Zambia owed the CDB US\$391 million in 2019, a 20.38% increase from 2018.²⁸⁴

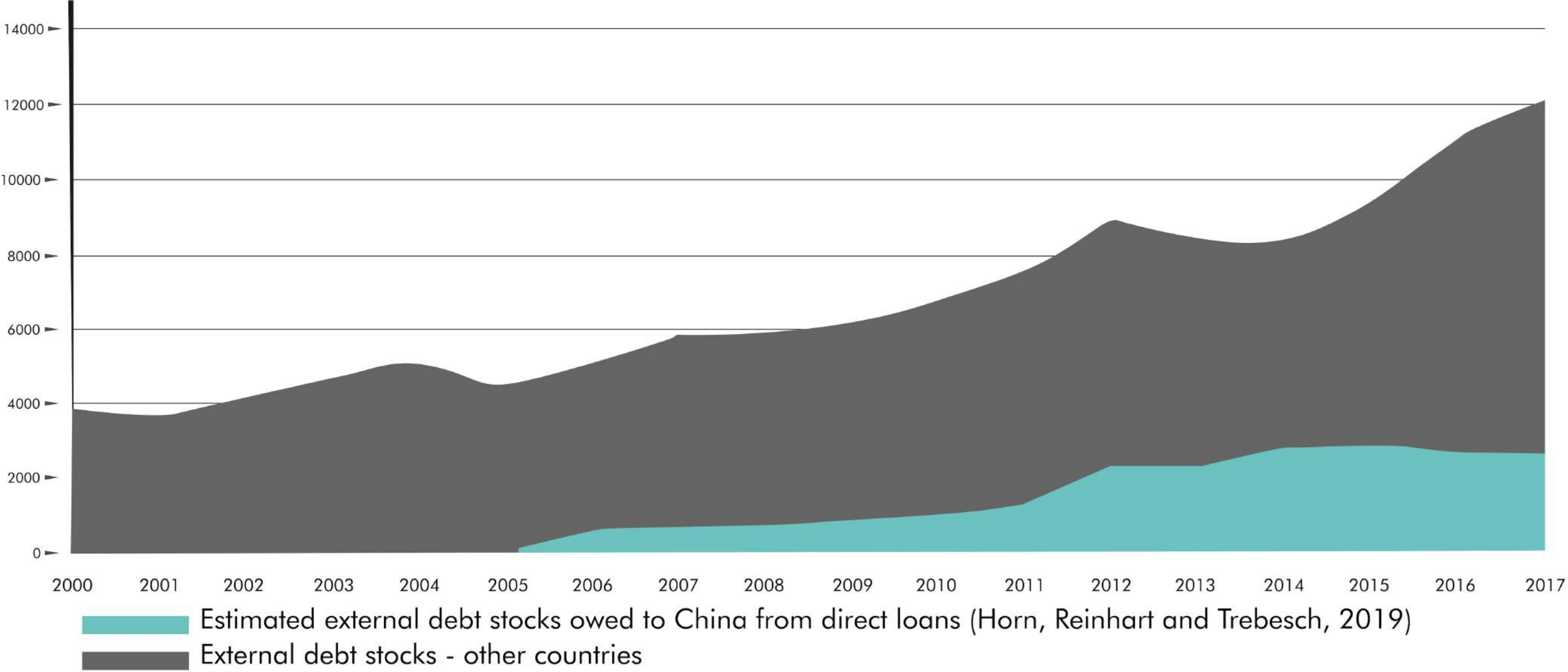
In addition, due to the concern of the accumulation of arrears of the Eurobond debt, which was not included in the DSSI, the Zambian government requested Eurobond holders a standstill on interest payments for a period six months from October 14th, 2020 to April 14th, 2021, worth \$45 million.²⁸⁵ However, to date this has not been granted.

ZIMBABWE

COUNTRY OVERVIEW



EXTERNAL DEBT STOCKS TO CHINA VS. OTHER COUNTRIES IN US MILLION



SHORT-TERM EXTERNAL DEBT



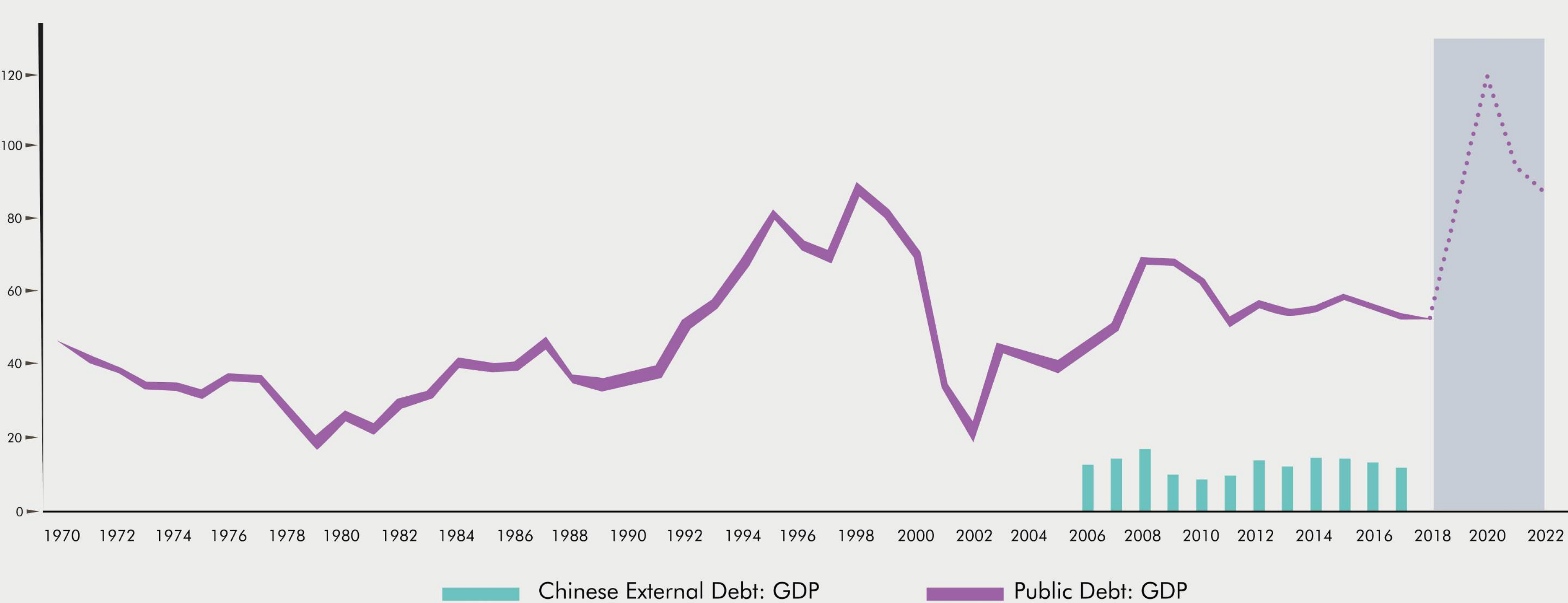
LONG-TERM EXTERNAL DEBT

PRIVATE SECTOR (53%)



PUBLIC SECTOR (47%)

ZIMBABWE DEBT TO GDP RATIOS



CHINA DEBT: GDP RATTIO



BRI and AfCFTA

Has signed Belt and Road Memorandum of Understanding? **Yes**
Has ratified Africa Continental Free Trade Agreement? **Yes**

ZIMBABWE

Debt History

Zimbabwe's public debt level increased significantly after independence in 1980. Its public debt to GDP ratio increased from 25.7% in 1980 to 88% in 1998. The initial rise in public debt in the 1980s resulted on the back of a US\$700 million debt inherited from the former colonial Rhodesian government. Interest rates rose on this debt and the new government needed to borrow new loans to pay the previous debt

ZIMBABWE IN 2021

2.5%	economic growth
95%	public debt to GDP ratio
-0.82%	budget balance
6/ 8	DR's Debt Transparency Index

Alongside this was a large drought in the early 1980s, which required public funds,²⁸⁶ the economy of Zimbabwe further contracted in the late 1990s and early 2000s, which was also the main reason for the accumulation of debt arrears to its major creditors. Unsuccessful land policy changes and the continuous effects of drought made it difficult for a country that depended on the agriculture to raise more tax revenues.²⁸⁷ Then, in 1997, the Zimbabwean government was forced to borrow from the outside to pay war veterans.²⁸⁸ Zimbabwe in 1998 entered a war with the Democratic Republic of Congo (DRC), which also contributed to the rise in debt due to the loans from the UK government to buy aircrafts. Taken together, Zimbabwe's public debt level reached a peak in 1998 and remained at this level until 2000. In 1999, Zimbabwe defaulted on loan repayments to multilateral institutions.

The public debt decreased from 70% of GDP in 2000 to only 34% of GDP in 2001. This was mainly due to an internal restructuring of domestic public debt – almost 60% of total public debt - by the government, switching the six-month Treasury bills to longer-term T-bills at lower interest rates.²⁸⁹ However, sanctions and the large amount of arrears owed by Zimbabwe precluded the country from access to IMF and other multilateral creditors lending, meaning its public debt to GDP ratio remained at an average of 51% of GDP per year between 2001 and 2015.

Zimbabwe's budget deficit rose to about -21% of GDP in 2000. Alongside the increase in production costs and the shortage of foreign currency caused by the high inflation rate, the estimated economic contraction between 1999 and 2008 averaged 6.7% per year.

Despite all these challenges, Zimbabwe was never granted debt relief under the HIPC initiative because of sanctions and outstanding arrears at the time when eligibility was decided by Paris Club donors and multilateral institutions.²⁹⁰ In contrast, China cancelled Zimbabwe's debt four times over 2000-2018.

Finally, in 2009, the country experienced economic growth at 7.4% rate for the first time in a decade due to the adoption of a multi-currency basket, which stopped the hyperinflation and allowed currencies such as the US dollar, the South African Rand, and the Botswana Pula, to be used locally.²⁹¹

\$155 million Chinese debt relief

Not Part of HIPC Initiative

In addition, Zimbabwe scored one of the highest Debt Transparency Index within the countries in this guide, with relatively thorough publications for government budget proposals and economic reviews, though the access to debt data is limited. The country's commitment to greater data transparency is reflected in the Freedom of Information Bill that was signed into law in 2020.

ZIMBABWE

Examples of projects that Zimbabwe has been able to finance recently and the SDGs the projects may help to achieve with loans from China and the World Bank are shown below for illustration.

Zimbabwe



SUSTAINABLE DEVELOPMENT GOALS



THE WORLD BANK

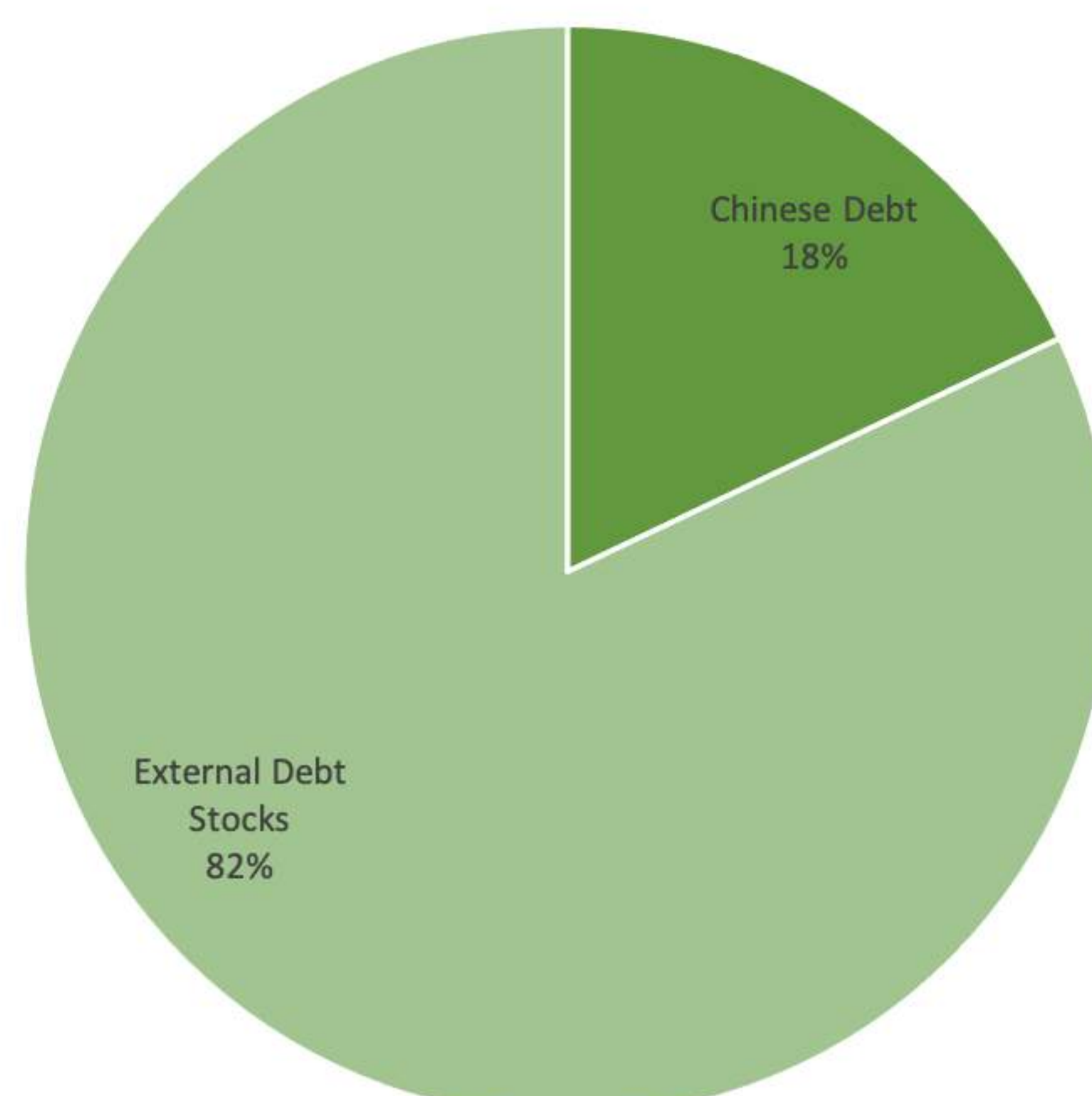
Project Name	\$ million	SDGs
Harare Robert Gabriel Mugabe International Airport Upgrade (2018)	152	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Equipment for Artisanal Miners Disbursement 2 (2018)	5	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Rural Base Stations Construction - 250 Units (2018)	71	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Project Name	\$ million	SDGs
Health Sector Development Support Project - Additional Financing V (2020)	49.6	3 GOOD HEALTH AND WELL-BEING
SPF - Support to Zimbabwe Recovery and Resilience (2020)	2	8 DECENT WORK AND ECONOMIC GROWTH
Zimbabwe Idai Recovery Project (2020)	72	8 DECENT WORK AND ECONOMIC GROWTH

Chinese Debt Exposure

China is one of Zimbabwe's largest investors and creditors, despite the large arrears holding by the Zimbabwean government to other creditors, but also because other creditors will not lend to Zimbabwe. Zimbabwe has taken around US\$3.0 billion of loans from China between 2000-2018 based on the data from China Africa Research Initiative, mainly focusing on transport, power and agriculture sector. For example, Zimbabwe took a US\$153 million loan to construct its main airport, Robert Mugabe International Airport in 2018. In 2017, Zimbabwe took a further US\$998 million loan to expand Hwange Coal Power Station.²⁹²

Figure: Chinese debt as a proportion of Zimbabwe's total external debt stock



Source:
The World Bank,
Christoph Trebesch et al. Chinese Debt Stock Database

ZIMBABWE

Current Financing Challenges

The IMF classifies Zimbabwe as “in debt distress” due to public and total debt and large external arrears, while the Jubilee campaign forecasts the country “in debt crisis”.²⁹³

However, Zimbabwe needs significant infrastructure finance to meet outstanding basic needs of the population and to cut poverty. Access to, electricity and internet are particular challenges, which are unlikely to be met through domestic government revenues or other domestic means.

WHAT DOES ZIMBABWE STILL NEED TO FINANCE?
SOME EXAMPLES:

ACCESS TO ELECTRICITY FOR 59% OF THE POPULATION
ACCESS TO DRINKING WATER FOR 36% OF THE POPULATION
ACCESS TO INTERNET FOR 43% OF THE POPULATION



The COVID19 Impact

Zimbabwe’s economy has worsened since COVID-19. The economic growth was estimated to have contracted by 8.1% in 2019 and the recession was projected to continue in 2020 to shrink by 7.4%. The pandemic has negatively affected key sectors of the economy, including exports, tourism, and manufacturing, which largely decreased tax revenues, widening the fiscal deficit to 5.6% based on the AfDB’s worst-scenario. Indeed, by September 2020 the government in Zimbabwe had only been able to allocate \$220 million (0.7% of GDP) to Covid-19 mitigation. This included a social assistance programme to expand social safety nets and provide food support, intending to reach 7.4 million people across the country, 50% of the population. Public infrastructure, natural resources and a skilled labor force may contribute to help the country’s economy recovery in the post-COVID era in 2021.²⁹⁴

This may be necessary, because Zimbabwe has large protracted arrears to multilateral creditors, including the IMF, the World Bank and the AfDB, which have blocked its access to official financing and the COVID-19 related support programs, such as G20’s debt service suspension initiative (DSSI). On April 2, Zimbabwe’s Finance Minister Mthuli Ncube wrote a letter to the heads of the IMF, World Bank, African Development Bank, Paris Club, and European Investment Bank to seek debt relief and arrears clearance program, which might mitigate the impact of the COVID-19 and the poor economic performance. However, by the end of 2020, Zimbabwe had received no response.²⁹⁵

APPENDIX I: GLOSSARY OF TERMS

Belt and Road Initiative (BRI)

The Belt and Road Initiative (BRI) – China’s proposal to build a Silk Road Economic Belt and a 21st Century Maritime Silk Road in cooperation with related countries – was unveiled in 2013. The initiative focuses on promoting policy coordination, connectivity of infrastructure and facilities, unimpeded trade, financial integration, and closer people-to-people ties.

- Silk Road Economic Belt: a trans-continental passage that links China with south east Asia, south Asia, Central Asia, Russia and Europe by land;
- 21st Century Maritime Silk Road: a sea route connecting China’s coastal regions with south east and south Asia, the South Pacific, the Middle East and Eastern Africa, and Europe.

Catastrophe Containment and Relief Trust (CCRT)

The Catastrophe Containment and Relief Trust (CCRT) was established in February 2015 during the Ebola outbreak and modified in March 2020 in response to the COVID-19 pandemic. CCRT allows the IMF to provide grants for debt relief for the poorest and most vulnerable countries hit by catastrophic natural disasters or public health disasters. The relief on debt service payments frees up additional resources to meet exceptional balance of payments needs created by the disaster and for containment and recovery. CCRT grants complement donor financing and IMF concessional lending through the Poverty Reduction and Growth Trust (PRGT).

Concessional Loan

A loan offered by multilateral and bilateral official creditors usually at a very low cost for the borrower; the grant element of a concessional loan is around 35%.

CPIA: Country Policy and Institutional Assessment (CPIA) Index

An index rating given to country's based on a set of criteria in 4 main clusters: economic management, structural policies, policies for social inclusion and equity and public sector management and institutions.

Creditor

A party that has a claim on the services of a second party; a person or institution to whom money is owed; one that extends credit or lends to another party.

Debt

Financial claims that require payment(s) of interest and/or principal by the debtor to the creditor at a date in the future.

Debt Distress

An explicit assessment of a country’s risk of external debt distress. The rating is based on an analysis of PPG external debt in the external DSA.

Debt Forgiveness

Debt forgiveness is the voluntary cancellation of all or part of a debt obligation within a contractual agreement between a creditor and a debtor.

Debt Overhang

A situation in which the sovereign's debt stock exceeds its capacity to repay it; a debt burden that is so large that an entity cannot borrow to help service it; a condition in which the expected tax burden of debt is so high that it dissuades current investment/consumption and hence serves as a drag on economic activity.

Debt Restructuring

Also known as debt reorganization; an arrangement involving both the creditor and the debtor (and sometimes third parties) that alter the terms established for servicing existing debt.

Debt Service

Payments on debt (interest + amortization) that fall due during the current period.

Debt Service Suspension Initiative (DSSI)

Debt Service Suspension Initiative (DSSI) was endorsed by the World Bank's Development Committee and the G20 Finance Ministers in April to response to grant debt-service suspension to the poorest countries to help them manage the severe impact of the COVID-19 pandemic.

Debt Sustainability

The condition under which a country (or its government) does not, in the future, need to default or renegotiate or restructure its debt, or make implausibly large policy adjustments that imply scarifying its development goals.

Debt Sustainability Analysis (DSA)

An analysis of a country's capacity to finance its policy objectives and service the ensuing debt without unduly large adjustments, which could otherwise compromise its stability.

Debt Sustainability Framework (DSF)

The framework within which all DSAs are produced to ensure comparability across DSAs produced for different countries.

Debtor

A party that owes a debt to a second party; a person or institution that owes money; one that borrows from another party.

Default

A party is unwilling or unable to pay their debt obligations; a government is unable to pay its creditors.

Default Risk

The chance that a party defaults; creditors or investors usually require a premium on return to account for the debtor's level of default risk.

Economic Shock

An unexpected or unpredictable event that affects an economy, either positively or negatively.

Exchange Rate Risk

The risk of an investment or instrument changing in value due to changes in exchange rates.

Extended Fund Facility (EFF)

When a country faces serious medium-term balance of payments problems because of structural weaknesses that require time to address, the IMF can assist with the adjustment process under an Extended Fund Facility (EFF). Compared to assistance provided under the Stand-by Arrangement, assistance under an extended arrangement features longer program engagement—to help countries implement medium-term structural policy changes—and a longer repayment period. The EFF was established to provide assistance to countries: (i) experiencing serious payments imbalances because of structural impediments; or (ii) characterized by slow growth and an inherently weak balance of payments position. The EFF provides assistance in support of comprehensive programs that include policies of the scope and character required to correct structural imbalances over an extended period.

External Debt

Debt liabilities owed by residents to non-residents.

Fiscal Balance

The sovereign's assets less its liabilities in a given period of time, usually 1 year; a negative fiscal balance indicates a budget deficit, a positive fiscal balance, a surplus.

Flexible Credit Line (FCL)

The IMF's Flexible Credit Line (FCL) was designed to meet the demand for crisis-prevention and crisis-mitigation lending for countries with very strong policy frameworks and track records in economic performance. This instrument was created as part of the process of changing how the IMF lends money to countries that find themselves in a cash crunch – to avoid extra conditions or austerity measures every time, with the idea of tailoring its lending instruments to the diverse needs and circumstances of member countries. To date, five countries, Chile, Colombia, Mexico, Peru and Poland, have used the FCL.

Foreign Direct Investment (FDI)

Investment of capital by foreigners into one's country; can be to finance domestic projects or foreign projects in domestic country.

Foreign Exchange Reserves

Reserve money denominated in foreign currency held by a country's monetary authority.

GDP Growth Rate

The percent change in an economy's value added from one period to the next (usually 1 year).

Government Debt

Also known as public debt, sovereign debt, or national debt; the debt owed by a central government.

Government Expenditure

Total government payments and expenses.

Grace Period

The period of time in which no principal payment is due on a loan.

Gross Domestic Product (GDP)

The market value of all final goods and services produced within a country in a given period. The GDP is determined using data for production, expenditures, or income and is presented in current or constant prices.

Gross National Income (GNI)

The sum of GDP and net foreign income generated by production activities abroad. GNI was GNP in pre-1993 versions of the SNA.

Inflation

A sustained increase in the general price level. The rate of inflation is the percentage change in the price level in a given period (usually one year).

Inflation Rate

The rate of inflation is the percentage change in the price level in a given period (usually one year).

Initiative for Heavily Indebted Poor Countries (HIPC)

The HIPC Initiative was launched in 1996 by the IMF and World Bank, with the aim of ensuring that no poor country faces a debt burden it cannot manage. Since then, the international financial community, including multilateral organizations and governments have worked together to reduce to sustainable levels the external debt burdens of the most heavily indebted poor countries.

Interest Payment

A payment made on a loan each period, separate from amortization. Interest payments are periodic payments associated to borrowing, conceptually reflecting the cost for using someone else's financial assets.

Interest Rate

The annual return on a fixed-priced financial asset expressed as a percentage of the price of the asset.

Medium-Term Debt Strategy (MTDS)

The IMF-World Bank framework to design the characteristics of the sovereign debt portfolio taking into account a medium/long-term objective; also a framework to examine the costs and risks associated with possible borrowing strategies to cover a financing need.

Multilateral Debt Relief Initiative (MDRI)

The MDRI was launched in 2005 to help them advance toward the United Nations' Millennium Development Goals. It provides for 100 percent relief on eligible debt from three multilateral institutions (IMF, IDA, and the African Development Fund) to a group of low-income countries. In 2007, the Inter-American Development Bank (IaDB) also decided to provide additional ("beyond HIPC") debt relief to the five HIPCs in the Western Hemisphere.

Precautionary Liquidity Line (PLL)

IMF's Precautionary and Liquidity Line (PLL) is designed to flexibly meet the liquidity needs of member countries with sound economic fundamentals but with some remaining vulnerabilities that preclude them from using the Flexible Credit Line. To date, two countries, the Republic of North Macedonia and Morocco, have used the PLL.

Public Debt

The total financial obligations incurred by all governmental bodies of a nation; total obligations by a country's public sector.

Public Debt Management

The process of establishing and implementing a strategy for managing debt to achieve the government's financing, risk, cost objectives and other goals, such as developing the domestic debt market.

Public Debt-to-GDP Ratio

The ratio of a country's gross public debt to its gross domestic product.

Poverty Reduction Growth Trust (PRGT)

Trust fund for the IMF's concessional financing. There are three concessional facilities - the Extended Credit Facility (ECF) to provide flexible medium-term support; the Standby Credit Facility (SCF) for addressing short-term and precautionary needs; and the Rapid Credit Facility (RCF) to provide emergency support.

Ratings Agency

A company that assesses the creditworthiness of both debt securities and their issuers; examples include Standard and Poor's, Moody's and Fitch.

Repayment Capacity

A measure of a body's ability to service its existing obligations (debt) through its income.

Rapid Credit Facility (RCF)

The Rapid Credit Facility (RCF) by the IMF provides rapid concessional financial assistance with limited conditionality to low-income countries (LICs) facing an urgent balance of payments need. The RCF was created under the Poverty Reduction and Growth Trust (PRGT) as part of a broader change to make the Fund's financial support more flexible and better tailored to the diverse needs of LICs, including in times of crisis. The RCF places emphasis on the country's poverty reduction and growth objectives.

Rapid Financing Instrument (RFI)

IMF's Rapid Financing Instrument (RFI) provides rapid non-concessional financial assistance, which is available to all member countries facing an urgent balance of payments need.

APPENDIX II: DEBT TRANSPARENCY INDEX ASSESSMENT

To complement the research in this guide, a Debt Transparency Index was compiled for each country, with a score between 0 and 8. The Debt Transparency Index aims to provide a simple, comparative assessment on how much and how accessible government data concerning debt statistics are for citizens to access. The score also encompassed additional aspects of debt management such as if the country has a functional debt management office and a medium-term debt strategy, to oversee its debt portfolio.

The following table summarises the key criteria used to generate the index.

Table 1: Summary of criteria and scoring system for the Debt Transparency Index

Country Debt Transparency Index (0-8)		
Criteria	Score	Notes/criteria
User friendly Government website/data portal with publicly available data	4 points	Whether government websites have: <ul style="list-style-type: none">Any historical informationUp to date informationDetail of data. For example, does it cover all debt data, only partial indicatorUser friendly website
Existence of a debt management office	1 point	Half point if it exists Full point if it has a publicly available website or produces publicly available information concerning the debt portfolio.
Publication of a medium-term debt strategy	1 point	Medium term debt strategy – half point if it exists, full point if it’s publicly available.
Existence of freedom of information rules	1 point	
Publication of contracts	1 point	Whether or not country participates in Open Government Partnership

Table 2: Debt Transparency Index for all twenty countries

Country	Debt Transparency Index (out of eight)
Angola	3
Cabo Verde	4.5
Cameroon	3.5
Congo, rep	2
Djibouti	1
Ethiopia	4
Egypt	4.5
Ghana	7
Kenya	7.5
Mauritania	1
Mauritius	5
Morocco	4
Mozambique	3.5
Nigeria	7.75
South Africa	7
Sudan	2
Togo	4.5
Tunisia	6.5
Zambia	4.5
Zimbabwe	6

APPENDIX III: AFRICAN BELT AND ROAD INITIATIVE SIGNATORIES

44 African countries that are signatories to the BRI	
Algeria	Madagascar
Angola	Mali
Benin	Mauritania
Burundi	Mozambique
Cabo Verde	Morocco
Cameroon	Namibia
Chad	Niger
Comoros	Nigeria
Congo, Rep.	Rwanda
Côte d'Ivoire	Senegal
Djibouti	Seychelles
Egypt	Sierra Leone
Equatorial Guinea	Somalia
Ethiopia	South Africa
Gabon	South Sudan
Gambia	Sudan
Ghana	Tanzania
Guinea	Togo
Kenya	Tunisia
Lesotho	Uganda
Liberia	Zambia
Libya	Zimbabwe
11 African countries that are not BRI signatories	
Botswana	Malawi
Burkina Faso	Mauritius
Central African Republic	Saharawi Arab Democratic Republic
The Democratic Republic of Congo	Sao Tome and Principe
Eritrea	Kingdom of Swaziland
Guinea-Bissau	

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