

The growing debt crisis in lower income countries and cuts in public spending



Debt Justice, July 2022

1. Summary

- Just 12% of African governments' external debt is owed to Chinese public and private lenders, compared to 35% to Western private lenders
- Private lenders charge the highest interest rates, averaging 5% in 2021, compared to 2.7% charged by Chinese lenders and 1.3% by multilateral institutions
- Over the next seven years, 35% of African governments' external debt service is due to private lenders, compared to 19% to Chinese lenders
- For the countries with the highest debt burdens, less is owed to Chinese lenders. For the 24 countries spending more than 15% of government revenue on external debt payments, their median average of debt payments by creditor grouping is 11% to Chinese lenders, 32% to private lenders
- The picture for individual countries varies significantly. China is responsible for over 33% of external debt payments in six of the 24 countries with the highest debt payments. But it is responsible for less than 15% in 14 of the 24 countries.
- Private creditors are much more ubiquitous, being responsible for over 33% of external debt payments in 12 of the 24 countries with the highest debt payments. Private creditors are responsible for less than 15% of external debt payment in just seven of the 24 countries.

2. Debt owed by creditor grouping

This briefing investigates who African governments' external debt is owed to. The World Bank reports data in its International Debt Statistics database on debt owed by creditor groupings.¹ This includes data on debt owed by governments and also debt owed by residency of private lenders (for commercial bank loans, not for bonds). The most recent World Bank data on debt owed is up to end-2020.

The World Bank data shows that for the 49 African governments with data, 39% of their external debt is owed to multilateral institutions, 35% to private creditors (not including Chinese private creditors), 12% to Chinese public and private creditors and 13% to other governments.

The average interest rate on private sector loans is almost double that of Chinese loans (public and private). According to the World Bank database, African governments were due to pay \$12.2 billion in interest to external private creditors

¹ <https://databank.worldbank.org/source/international-debt-statistics>

(excluding those based in China) in 2021, which is an average interest rate of 5% on the debt owed at the end of 2020. In contrast, the average interest rate on debts owed to Chinese lenders (public and private) is 2.7%.²

Creditor grouping	Total external debt owed by African governments at end-2020	External debt to creditor grouping as percentage of total external debt	Total external interest payments due by African governments in 2021	Average interest rate
Private creditors (excluding those based in China)	\$247 billion	35%	\$12.2 billion	5%
Chinese creditors (public and private)	\$83 billion	12%	\$2.2 billion	2.7%
Other governments	\$93 billion	13%	\$1.3 billion	1.4%
Multilateral institutions	\$274 billion	39%	\$3.6 billion	1.3%
Total	\$696 billion		\$19.3 billion	2.8%

Of the \$247 billion of debt owed to private creditors, excluding those based in China, the World Bank International Debt Statistics database lists the residency of the creditors for \$43.3 billion of the debt. Of this \$43.3 billion, \$42.9 billion (99%) is owed to private creditors in OECD countries.

Of the remaining \$204 billion, most is bonds. Of bonds, the IMF says that over 99% of external bonds contracts are governed by English or New York law.³ For the African governments which owe external bonds all are governed by English or New York law (15 countries are English law, two New York) (see Appendix). Other private debts are also likely to be governed by English or New York law. For example, of the loans disclosed through the International Institute for Finance and OECD's loan

² The average interest rate on just Chinese public lenders is 2.3%, compared to 1.4% on other governments.

³ <https://www.imf.org/~media/Files/Publications/PP/2017/pp113017third-progress-report-on-cacs.ashx>

registry, all are governed by English or New York law.⁴ Similarly, it is thought that some debts owed to Chinese entities are governed by English or New York law.

A 2021 report by Eurodad found that, where ownership of lower income country bonds has been disclosed, 95% of external bonds are owed to companies in the US, EU, UK or Switzerland.⁵ Of the remaining 5%, some is also likely to be owed to other OECD countries.

3. Debt payments by creditor grouping from 2022 to 2028

Just looking at debt owed does not necessarily reflect the relative debt burdens because it does not take account of the different interest rates or maturities on the debt. Therefore, it is also helpful to look at upcoming debt service (principal and interest payments).

The World Bank has figures for external debt service for African countries from 2022 to 2028. These are principal payments and interest on loans which were contracted before the end of 2020. The one creditor not included in the World Bank figures for debt service is the IMF. We have therefore supplemented the World Bank data with data from the IMF of debt payments to it, also for 2022 to 2028.⁶

The figures show that for the 49 African countries with data, 35% of their external debt payments in the next seven years are to private lenders (excluding those based in China), 35% to multilateral institutions, 19% to Chinese lenders (public and private) and 11% to other governments.

The fact that private lenders are receiving a similar percentage of payments as debt owed suggests that while they have higher interest rates, they also have longer maturities. For example, no principal payments on bonds due after 2028 are included in these figures.

The fact payments to Chinese creditors are higher than the debt owed suggests these debts have shorter maturities. It might also be due to the fact that China suspended many countries' debt payments during the Covid pandemic, but these are now coming due to be paid.

As would be expected, multilateral institutions' share of debt payments is lower than their share of debt owed, due to the lower interest rates on the debt. However,

⁴ [https://data-explorer.oecd.org/vis?lc=en&df\[ds\]=DisseminateFinalDMZ&df\[id\]=DSD_DEBT_TRANS_COLL%40DF_MI_CRO&df\[ag\]=OECD.DAF&df\[vs\]=1.0&av=true&pd=2020%2C2021&dq=.....&ly\[rw\]=DD_ID%2CREF_ARE_A%2CRECIPIENT_TYPE%2CTIME_PERIOD%2CFIN_TYPE%2CCURRENCY%2CINTEREST_RATE%2CINTEREST_RATE_TYPE%2CCCLAIM_RANK](https://data-explorer.oecd.org/vis?lc=en&df[ds]=DisseminateFinalDMZ&df[id]=DSD_DEBT_TRANS_COLL%40DF_MI_CRO&df[ag]=OECD.DAF&df[vs]=1.0&av=true&pd=2020%2C2021&dq=.....&ly[rw]=DD_ID%2CREF_ARE_A%2CRECIPIENT_TYPE%2CTIME_PERIOD%2CFIN_TYPE%2CCURRENCY%2CINTEREST_RATE%2CINTEREST_RATE_TYPE%2CCCLAIM_RANK)

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<https://assets.nationbuilder.com/eurodad/pages/2307/attachments/original/1621949568/sovereign-bond-report-FINAL.pdf?1621949568> page 21

⁶ <https://www.imf.org/external/np/fin/tad/query.aspx>

multilateral institutions are still responsible for 35% of debt payments over the next seven years.

Creditor grouping	Debt payments by African countries from 2022 to 2028 (\$ billion)	Debt payments by African countries from 2022 to 2028 (% of payments)
Private creditors (excluding those based in China)	\$156 billion	35%
Chinese creditors (public and private)	\$83 billion	19%
Other governments	\$49 billion	11%
Multilateral institutions	\$155 billion	35%
Total	\$444 billion	100%

4. Debt payments for the countries with the largest debts

In order to check whether these figures are different for countries with the largest debt burdens, or that the figures are not unduly influenced by the debts of larger countries so do not give an accurate picture, we have calculated the debt payments for the 24 African countries whose external debt payments are over 15% of government revenue (see Appendix).

We have also looked at the median average for these countries, to strip out the effect of larger countries. Doing this, we find that the median average external debt payments for countries with high debts is similar to the overall figures for the continent both for private creditors (32%) and multilateral institutions (34%). But for China it is significantly less – 11%. This suggests that China tends to be a less important creditor in countries with higher debts.

Of course, the picture for individual countries varies significantly. China is responsible for over 33% of external debt payments in six of the 24 countries with the highest debt payments (Angola, Cameroon, Republic of Congo, Djibouti, Ethiopia and Zambia). But it is responsible for less than 15% in 14 of the 22 countries.

Private creditors are much more ubiquitous, being responsible for over 33% of external debt payments in 12 of the 24 countries with the highest debt payments (Cabo Verde, Chad, Egypt, Gabon, Ghana, Malawi, Morocco, Namibia, Rwanda, Senegal, South Sudan and Zambia). Private creditors are responsible for less than 15% of external debt payments in just seven of the 24 countries (and in one of – case it is only because Mozambique is legally disputing whether it owes two secret loans from private lenders, so these are not included in the World Bank figures).

Appendix

Share of external debt payments from 2022 to 2028 by creditor grouping (% of total external debt payments), 24 African countries with external debt payments over 15% of government revenue

	Private (not including China)	China public and private	Other governments	Multilateral
Angola	29%	59%	2%	10%
Cameroon	18%	34%	13%	35%
Cabo Verde	33%	2%	25%	40%
Chad	33%	8%	14%	44%
Congo, Rep	6%	50%	24%	21%
Djibouti	0%	64%	11%	25%
Egypt	36%	3%	16%	45%
Ethiopia	23%	45%	7%	25%
Gabon	40%	16%	7%	37%
Gambia	0%	0%	25%	75%
Ghana	56%	11%	8%	24%
Kenya	29%	27%	11%	33%
Malawi ⁷	72%	5%	4%	20%
Mauritania	0%	14%	30%	57%
Morocco	36%	1%	14%	49%
Mozambique	7%	28%	33%	33%
Namibia ⁸	43%	4%	5%	48%
Rwanda	37%	9%	20%	34%
Senegal	37%	9%	20%	34%
Sierra Leone	0%	5%	14%	82%
South Sudan ⁹	81%	11%	0%	8%

⁷ The World Bank figures on Malawi do not include commercial loans from AFREXIM Bank and Trade and Development Bank, which have been reported in the IMF Debt Sustainability Analysis. We have therefore used the IMF figures, but they only report debt payments for 2022, not 2022 to 2028. <https://www.imf.org/en/Publications/CR/Issues/2021/12/17/Malawi-2021-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-511105>

⁸ Namibia does not report information through the World Bank International Debt Statistics database. These figures are from the Namibian Central Bank, but are for debt owed rather than debt service. This means the debt service percentage on private debt is likely to be higher, and lower on multilateral debt <https://www.bon.com.na/Economic-information/Statistical-information/Government-finance-statistics.aspx>

⁹ There are no figures for South Sudan in the World Bank database, and so its debt payments are not included in our overall figures for Africa (though the impact would be negligible because of South Sudan's size). The IMF does report what proportion of South Sudan's debt is owed to different creditor

Tunisia	31%	0%	24%	45%
Uganda	4%	32%	14%	50%
Zambia	45%	37%	8%	10%
Median	32%	11%	14%	35%

External debt service as a percentage of government revenue by country, 2021

Country	Government external debt service as percentage of revenue, 2021	Source of data
Algeria	0.2	World Bank IDS
Angola	62.0	IMF loan documents
Benin	11.5	IMF Debt Sustainability Analysis
Botswana	3.0	World Bank IDS
Burkina Faso	6.4	IMF Debt Sustainability Analysis
Burundi	3.3	IMF Debt Sustainability Analysis
Cabo Verde	17.7	IMF Debt Sustainability Analysis
Cameroon	22.4	IMF Debt Sustainability Analysis
Central African Republic	9.3	IMF Debt Sustainability Analysis
Chad	16.9	IMF Debt Sustainability Analysis
Comoros	8.5	IMF Debt Sustainability Analysis
Congo, DR	10.3	IMF Debt Sustainability Analysis
Congo, R	34.5	IMF Debt Sustainability Analysis
Cote d'Ivoire	12.6	IMF Debt Sustainability Analysis
Djibouti	15.7	IMF Debt Sustainability Analysis
Egypt	19.0	World Bank IDS
Eritrea	5.3	World Bank IDS
Eswatini	9.7	IMF loan documents
Ethiopia	23.5	World Bank IDS
Gabon	49.6	IMF loan documents
Gambia	19.6	IMF Debt Sustainability Analysis
Ghana	44.1	IMF Debt Sustainability Analysis
Guinea	8.3	IMF Debt Sustainability Analysis
Guinea-Bissau	5.7	IMF Debt Sustainability Analysis
Kenya	13.6	IMF Debt Sustainability Analysis
Lesotho	4.2	IMF Debt Sustainability Analysis
Liberia	5.6	IMF Debt Sustainability Analysis
Madagascar	9.0	IMF Debt Sustainability Analysis
Malawi	31.1	IMF Debt Sustainability Analysis

groupings, which are the figures reported here. These figures therefore do not include the interest, and so the proportion of debt payments to private creditors is likely to be even higher.

<https://www.imf.org/en/Publications/CR/Issues/2021/04/01/Republic-of-South-Sudan-Staff-Monitored-Program-and-Request-for-Disbursement-under-the-Rapid-50331>

Mali	10.2	IMF Debt Sustainability Analysis
Mauritania	25.9	IMF Debt Sustainability Analysis
Morocco	16.2	World Bank IDS
Mozambique	25.5	World Bank IDS
Namibia	20.8	IMF loan documents
Niger	13.0	IMF Debt Sustainability Analysis
Nigeria	6.8	World Bank IDS
Rwanda	31.9	IMF Debt Sustainability Analysis
Sao Tome and Principe	5.0	IMF Debt Sustainability Analysis
Senegal	17.1	IMF Debt Sustainability Analysis
Sierra Leone	15.9	IMF Debt Sustainability Analysis
South Africa	9.1	World Bank IDS
South Sudan	16.2	IMF Debt Sustainability Analysis
Sudan	11.9	IMF Debt Sustainability Analysis
Tanzania	14.3	IMF Debt Sustainability Analysis
Togo	10.3	World Bank IDS
Tunisia	26.0	IMF loan documents
Uganda	17.5	IMF Debt Sustainability Analysis
Zambia	45.9	World Bank IDS
Zimbabwe	4.1	World Bank IDS

Governing law of external bonds of African governments¹⁰

Country	Governing law of bonds
Angola	English
Benin	English
Cameroon	English
Congo, Rep	New York
Cote d'Ivoire	English
Egypt	English
Ethiopia	English
Gabon	English
Ghana	English
Kenya	English
Morocco	English
Nigeria	English
Rwanda	English
Senegal	English
South Africa	New York
Tunisia	English
Zambia	English

¹⁰ Research by Debt Justice into country bond prospectuses