

Debt and the New Africa

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Debt and the New Africa

1. The legacy of debt relief: low debt and improved governance 
2. The new normal: market access and natural resource discovery 
3. Some progress made on debt management 
4. New, more complex challenges 
5. Some key lessons 

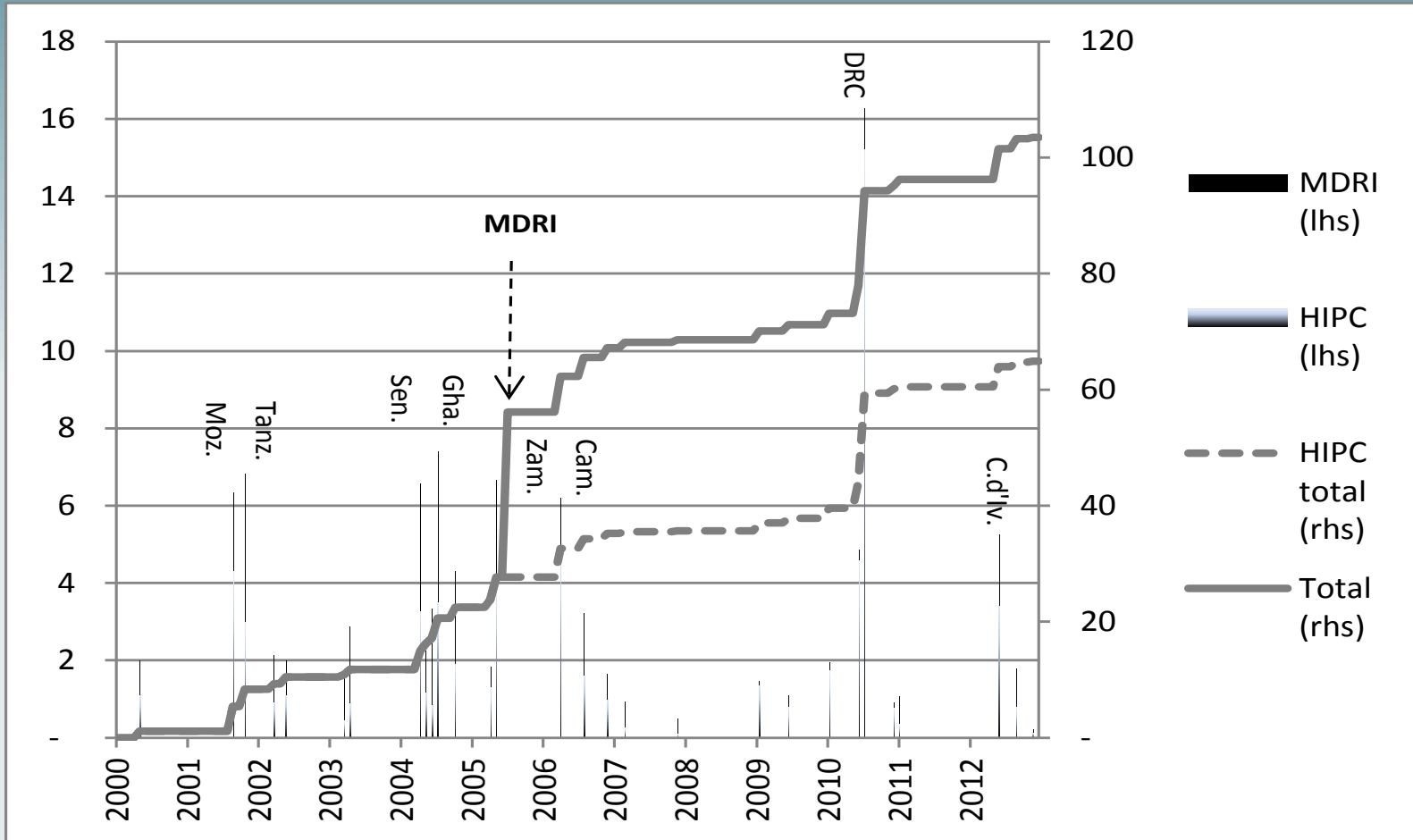
Thank You!

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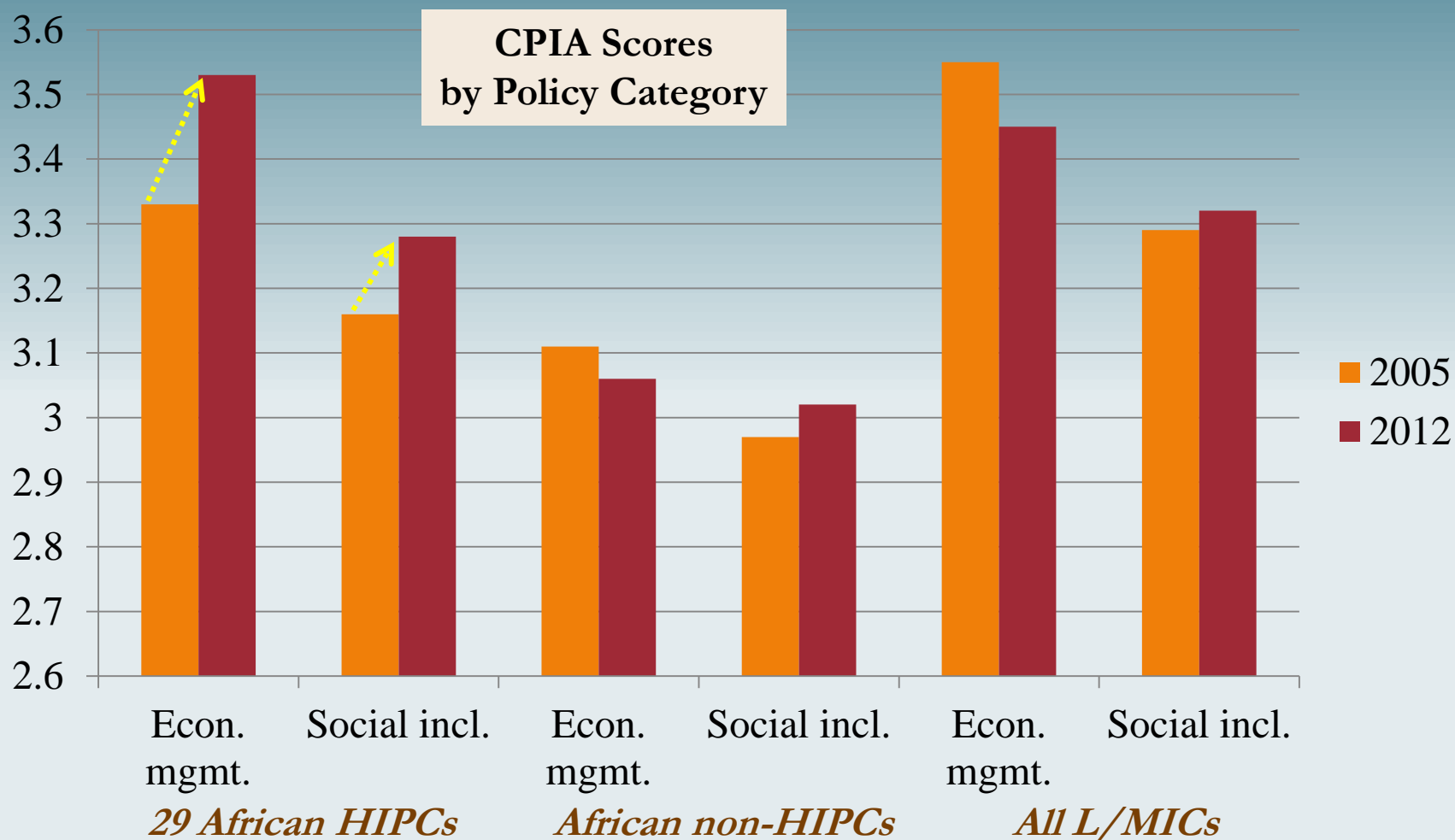
Debt relief: “the \$100 billion answer”

Timeline of African Debt Relief



Source: Thomas and Giugale (forthcoming, OUP)

Debt relief: part of the story of improved governance

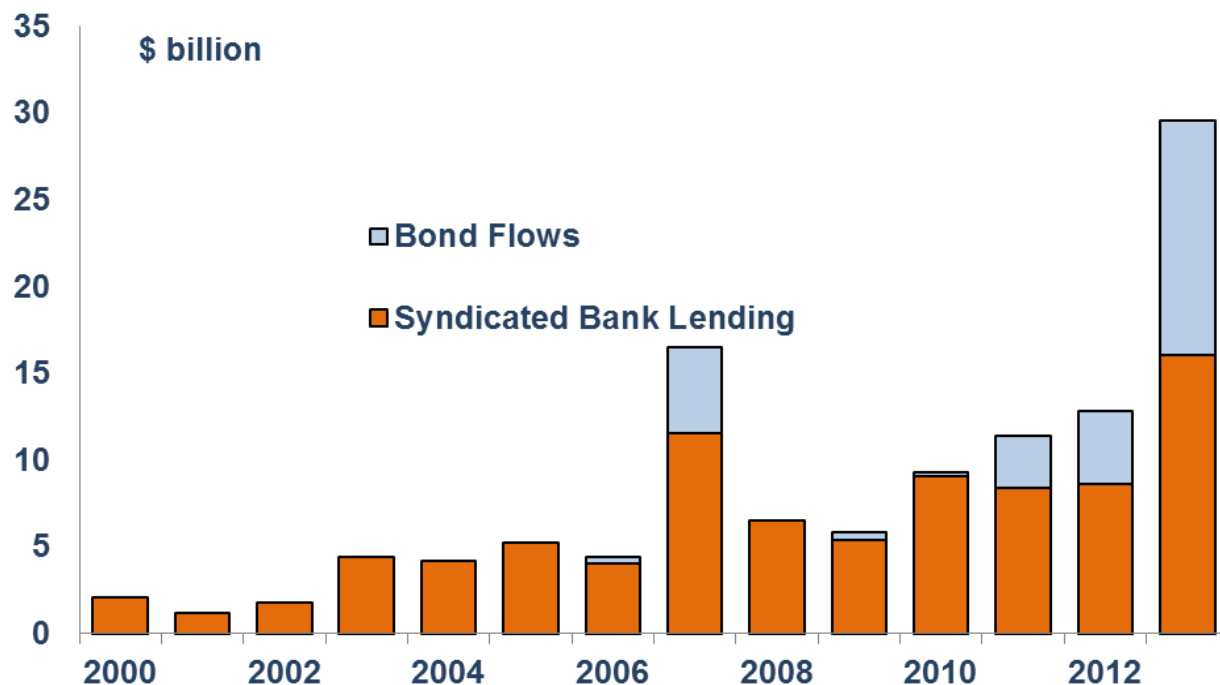


Source: World Bank



Market access is rising...

Gross cross-border debt flows to Sub-Saharan Africa (excluding South Africa)

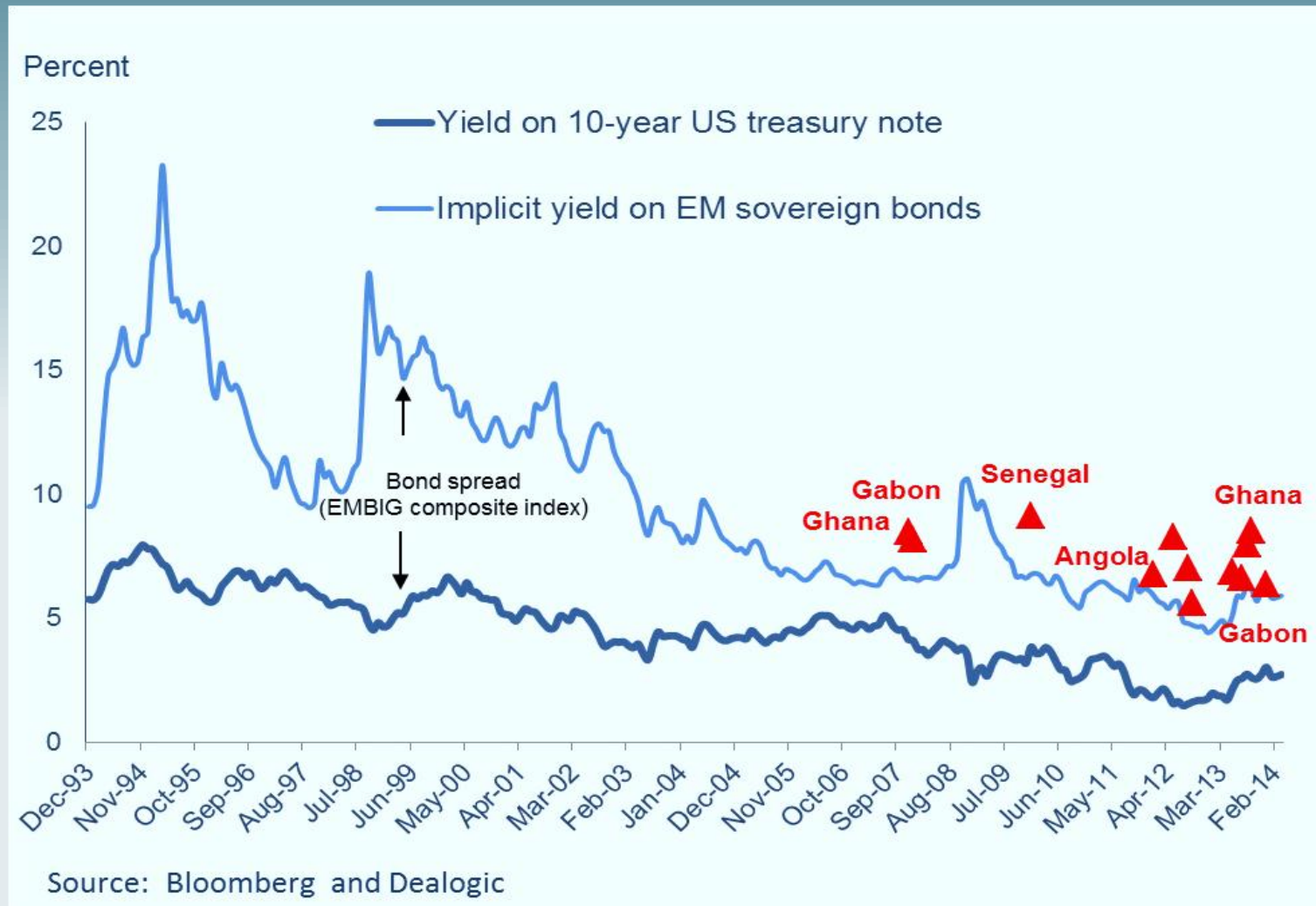


Source: World Bank Development Prospects Group

Increased Issuance by Sub-Saharan Sovereigns and Public Sector

| | Issuer | Amt Out. (U\$ mn) |
|------|------------|-------------------|
| 2006 | Seychelles | 200 |
| 2007 | Ghana | 531 |
| | Congo | 445 |
| | Gabon | 1,000 |
| 2009 | Senegal | 200 |
| 2010 | Seychelles | 169 |
| 2011 | Nigeria | 500 |
| | Nambia | 500 |
| | Senegal | 500 |
| 2012 | Angola | 1,000 |
| | Zambia | 750 |
| 2013 | Tanzania | 600 |
| | Rwanda | 400 |
| | Nigeria | 500 |
| | Nigeria | 500 |
| | Ghana | 1,000 |
| | Mozambique | 850 |
| | Gabon | 1,500 |

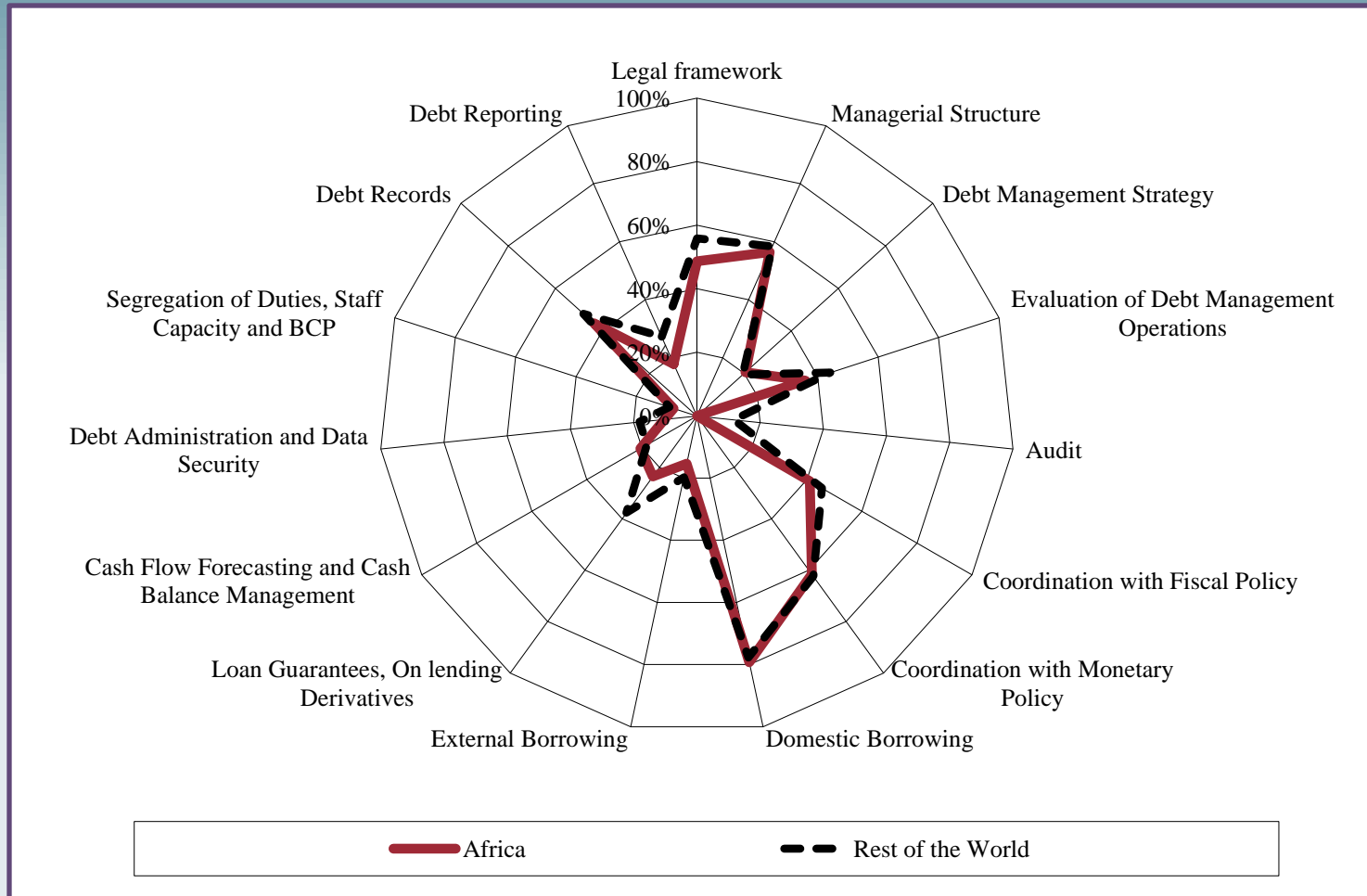
...and getting cheaper. How Long?



Progress on debt management...

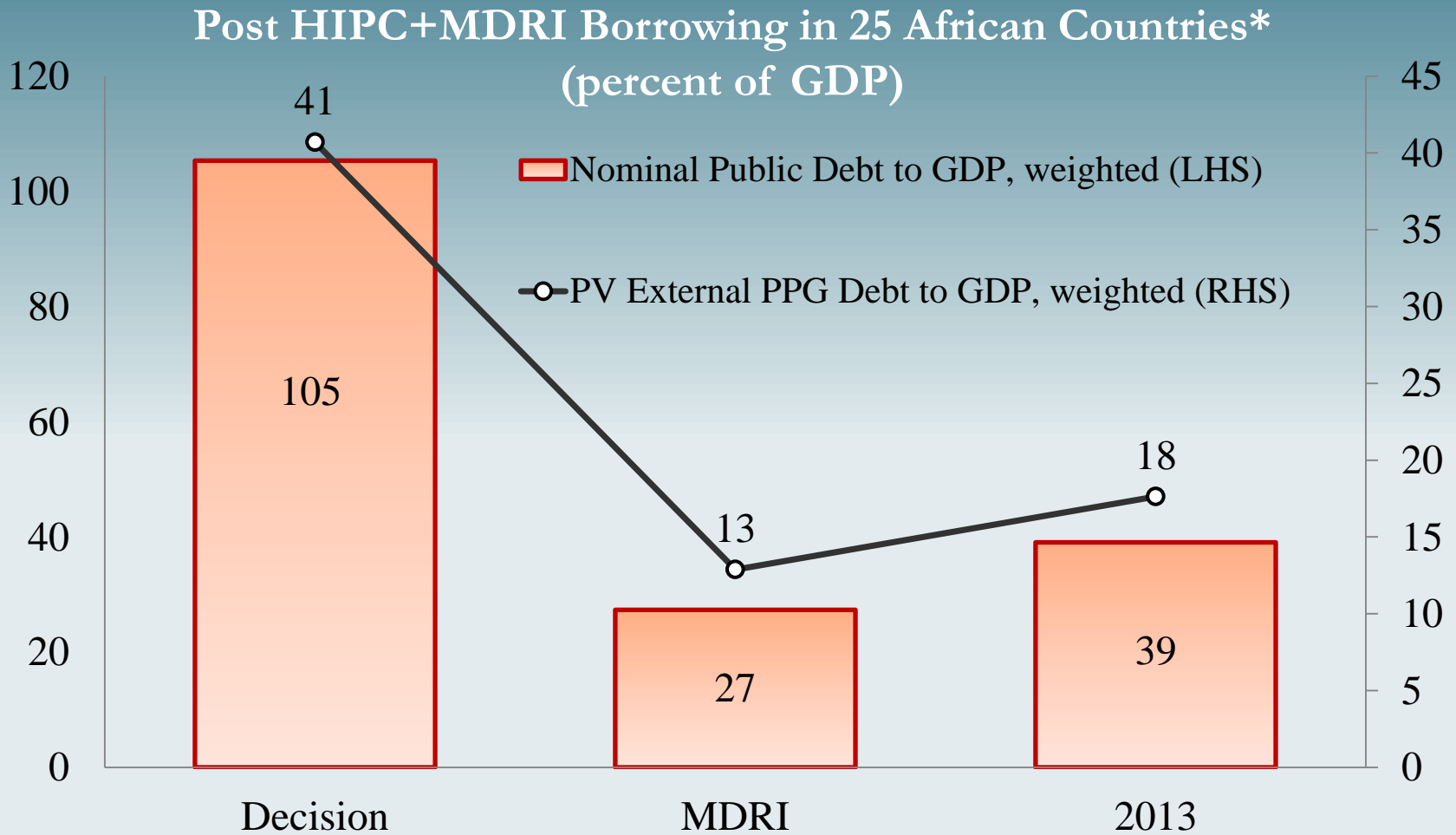
DEMPA:

Percentage of Countries Meeting Minimum Requirements



Source: World Bank

... and overall reasonable borrowing



Source: Merotto, Stucka, and Thomas (forthcoming 2014)

* The sample includes countries that received MDRI by 2010 and with adequate data from DSAs



New Challenges of Debt in Africa

- Commercial and quasi-commercial lending
 - Bullet repayments, interest rate risk, higher and more volatile capital flows
 - Tapering quantitative easing
- Natural resource revenues
 - Heightened public expectations for infrastructure, social spending, and civil service pay
 - “Negative pledge” deals
- Complex project finance
 - Often at non-concessional terms



The Main Lessons

- Debt forgiveness combined with macroeconomic discipline has worked
 - Vigilance is still needed
- The quality of investment matters
- Despite progress, there is still much room to improve debt management
 - The challenges have become more complex
- Voice and inclusion are even more needed in the public investment process



Example: room for greater use of conditional cash transfers



Source: World Bank

