The African Borrowing Charter and Debt Barometer: What then for Africa & Zambia?

Zambia Public Debt Symposium
Taj Pamodzi, Lusaka, Zambia
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Tatenda Kingstone Nyachega
Presentation Outline

• The African Borrowing Charter
• The African Debt Barometer
• Way Forward
The African Debt Barometer

• Step up from the national and regional debt profiles, analysis of loan contraction processes which necessitated the need for guidelines (African Borrowing Charter).

• The Debt barometer will profile the debt situation; trends and dynamics of debt procurement and management systems in Africa; and it will also profile the debt risk in Africa.

• We expect the Debt Barometer to be an Accountability and Advocacy tool which will enable citizens to hold governments accountable to national and regional targets.

• The overall goal of the African Debt Barometer is to prevent Africa following back into debt crises and achieve debt sustainability.
The African Debt Barometer will focus on the following major themes:

• Macroeconomic Indicators
• Legal Framework Indicators
• Debt Governance Indicators

Purpose of the Barometer:

• Enable countries to identify and combat debt procurement and management weaknesses preventing efficient development.
• Provide another metric for use in advocacy.
• Encourage competition between and within countries to meet guiding principles of the African Borrowing Charter.
The macroeconomic indicators, with their weights, include:

- Public debt to GDP (national targets)
- Public debt to annual government revenue
- External debt to GDP
- External debt to annual export earnings
- Debt service to annual export earnings
- Existence of Fiscal Policy Strategy/MTEF
- Existence of Fiscal Responsibility Act
Legal Framework Indicators

According to the **ABC**, Public debt contraction and use shall be anchored in constitutionalism; backed by a legal framework...with predictable rules and regulations, and sanctions against any violation of established rules and regulations for long term debt sustainability.”

- **Potential Indicators:**
  - Existence of debt management offices
  - Appraisal of loans before contraction
  - Undertaking debt sustainability analysis
  - Play advisory role to government
  - Preparation of medium term debt management strategies
  - Loan Performance Analysis
  - Parliamentary Approvals of loans (Including TNCs)
  - Parliamentary Approval of Government Guarantees
  - The Auditor General Report on Debt Issues
Debt Governance Indicators

Governance refers to the traditions and institutions by which authority in a country is exercised around debt procurement and management.

There is a need to monitor the progress and efforts made by the countries towards sustainable debt procurement and management in Africa.

• **Proposed Indicators:**

  - Separation of powers on loans
  - Parliamentary Oversight over loans
  - Disclosure and Publication
  - Availability of debt data
  - Publication of loans acquired during the year
  - Publication of loans guaranteed
The African Debt Barometer Approach

• Data collection at national level (Covering as many countries in Africa as possible with Zambia as a pilot)

• Offer detailed and insights into what is changing and still needs to change.

• Rank, praise and shame countries based on their performance.
CONTACTS

Further comments: afrodad@afrodad.co.zw

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