

# AFROPAC 4<sup>TH</sup> GENERAL MEETING AND SYMPOSIUM: BUDGET POLICY IN CRISIS

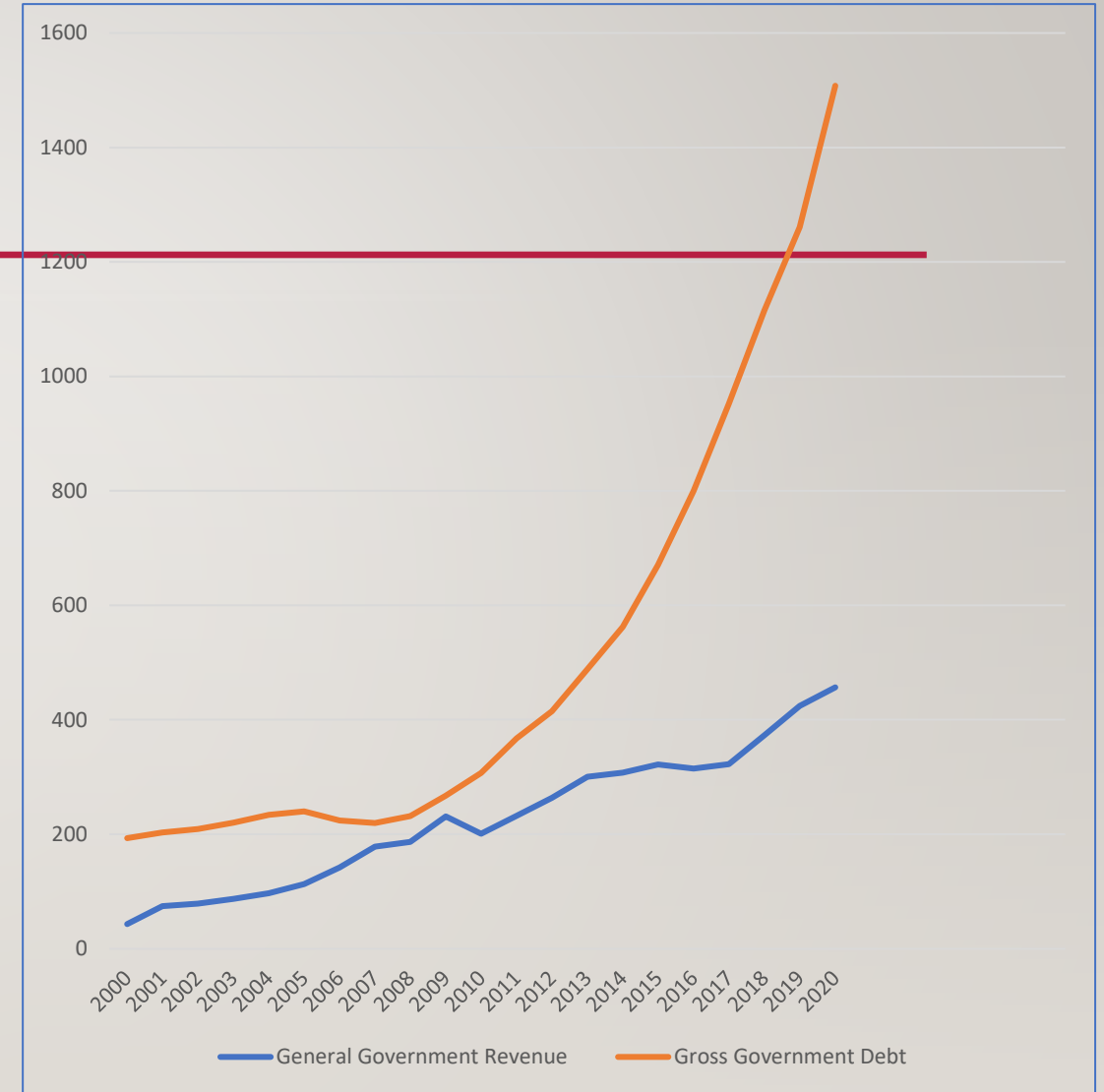
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# INTRODUCTION

- Africa still face grave challenges – 490 million people live in extreme poverty, poor nutrition(222 million), unemployment (12.7 % youth unemployment) and vulnerable employment (70%), climate change shocks
- Yawning gap between general government borrowing and government revenue – general gvt revenue in SSA Africa 17% while general gross gvt debt is 57%, general government expenditure 25% (IMF, 2022)
- SSA GDP growth was 4.2% in 2018 and 4.7% in 2021 – general gross gvt debt was 35% of GDP in 2018 but increased to 57% in 2021 (IMF, 2022)
- Increase in borrowing while capacity to repay has not changed

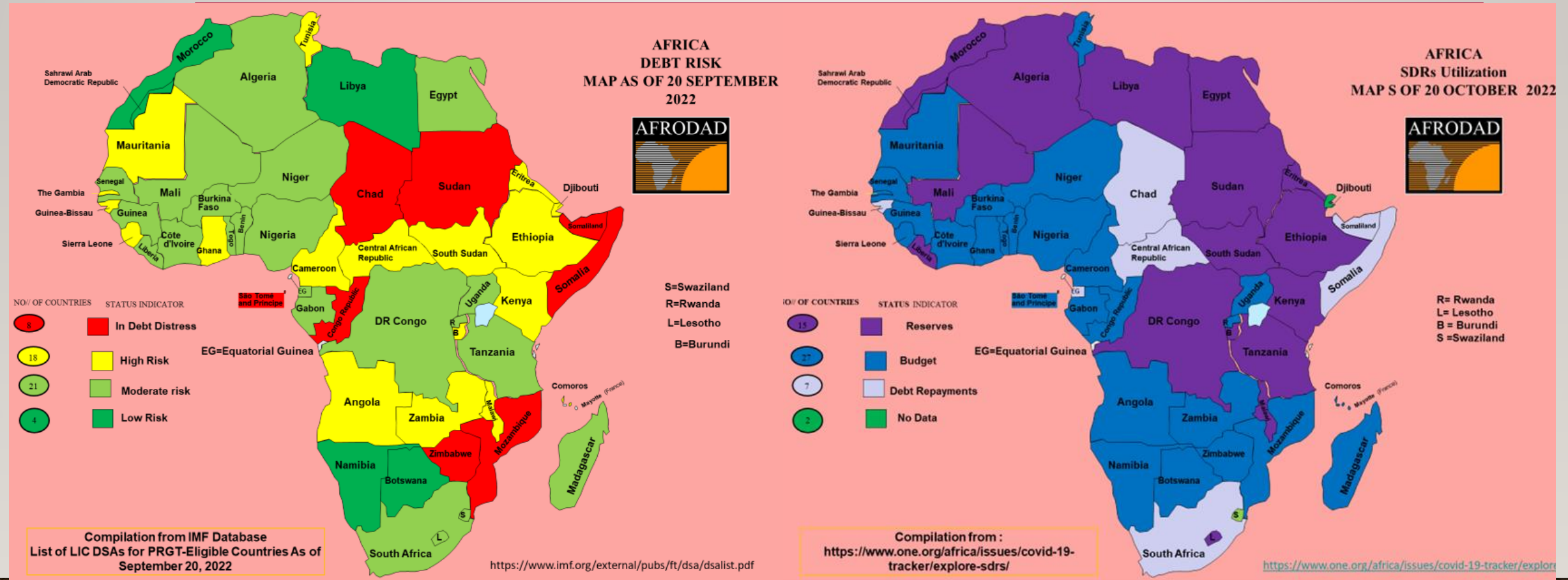


# PUBLIC DEBT DYNAMICS

- Changing Debt Landscape – private lenders increasing at a faster rate than official creditors, cost implications coupled with New players with such as China, India, BRICS.
  - PPPs have also become part of the financing leveraging on private sector finance but often the government guarantees any revenue short falls or must contribute a portion of the investment.
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- Debt relief measure - HIPC of 2000s fiscal space created generated more scope for debt, later DSSI and G20 common framework still inadequate to deal with the debt crisis
  - Resource backed loans – use of revenue generated from exports of natural resource/ using mineral deposits as guarantee
  - Huge investments in infrastructure – takes long to complete the projects and to get returns. Procurement of most inputs sourced outside the country which then implies low multiplier effect to the local economy and technological spillover is limited
  - The AfDB estimates that Africa's annual infrastructure financing requirements amount to US\$130 billion – US\$170 billion with a financing gap in the range of US\$68 billion – US\$108 billion. Across the continent, infrastructure commitments average around US\$80 billion every year with the bulk of the funding coming from national governments budgets and transport infrastructure consume the biggest chunk (40%) followed by energy projects (30%).
  - Since 2013 China become the biggest bilateral source of infrastructure financing accounting for about 23% of total infrastructure finance. Banking systems are too small and concentrated, with low levels of savings mobilization to finance productive activities in the real sector.
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# LEVEL OF DEBT DISTRESS AND SDR UTILISATION

- Countries in debt distress/ high level of debt distress used SDRs for debt repayment and budget



# TRANSPARENCY AND ACCOUNTABILITY SYSTEMS ON PFM

- Transparency and accountability – most countries still struggle to avail information on budget implementation to citizens and Parliament.
- Audits are done but what happens after audit report is more important. Need for Parliament to push for implementation of audit report recommendations. Media, academia and CSO need to make noise for politicians to be accountable
- Need to support implementation of Agenda 2063 - It cements the agency of the African continent in being responsible for its finances and being responsible for its ability to create and generate its internal revenues & mobilisation of domestic resources.
- Establish a Pan-African accountability mechanism on debt and economic recovery that runs in parallel with the African Peer Review Mechanism. One that will allow us to strengthen our relationship with our creditors, one that will allow us to have a common position on issues of public debt when it comes to dealing with issues such as the Covid-19 pandemic,



# RECOMMENDATIONS

- PAC should consider calling for special debt audit to be clear on the quantum and utilisation of the debt
- Building effective institutions – Credibility of MoF, Central banks as well as statistical agencies
- SADC PFM model Law – replication of the same in other regions
- Developing for regional binding guidelines on tax incentives to avoid race to the bottom on FDI and build domestic resource mobilisation
- Caution to be exercised on contingency liabilities arising from PPP financed projects, guarantees for agric loans, parastatal loans
- Push for implementation of agenda 2063
- Special audits for emergency related spending and pushing for adequate resources for OAG
- Use of African Borrowing Charter, Debt Toolkit and capacity development workshops
- Establishing Parliament academy for capacitating parliamentarians on PFM oversight



THANK YOU

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