

Experts warn of Africa's new growing debt crisis

Factor. Global interest rates are rising and poorer countries are finding it tough to pay back money borrowed.

BY BUSINESS DAILY
Monitor correspondent

KAMPALA. Concern is growing that 2018 could be the year that sub-Saharan Africa sees a new debt crisis, nearly 20 years since the last one was said to have been resolved.

The reason why African debts have risen is simple.

Since the world financial crisis of 2008, there has been a boom in lending to low and lower-middle-income country governments which more than quadrupled from \$57 billion (Shs205 trillion) in 2007 to \$260 billion (Shs983 trillion) by 2016.

This increase came about because of quantitative easing and low interest rates in the western world meaning that lenders have wanted to give more loans to developing countries where they can charge higher interest rates.

Rising interest rates

Now, however, global interest rates are rising and poorer countries are finding it tough to pay back money borrowed from banks in anticipation of a commodity windfall that never materialised.

The result, a massive upswing in the level of debt owed by African governments.

In East Africa, Kenya's debt burden as percentage of Gross Domestic Product (GDP) is 32 per cent, Uganda's 57 and Tanzania 63 per cent.

But the East African country most af-



Projects. Road works underway. Infrastructure projects such as roads usually take up the biggest chunk of money borrowed by government. FILE PHOTO

57 per cent

Ratio. Uganda's debt burden as percentage of Gross Domestic Product.

ected is Mozambique on 299 per cent of GDP.

Of debts owed by low and lower middle income governments, 38 per cent are owed to private lenders, 36 per cent are owed to multilateral institutions, primarily the World Bank, International Monetary Fund (IMF) and regional development banks such as the African Devel-

opment Bank, and 26 per cent are owed to other governments.

Research by the UK-based Jubilee Debt Campaign last year showed that debt payments by poorer countries had increased by 50 per cent in two years, and had reached their highest level since 2005.

The debt crisis of the 1980s, 1990s and early 2000s was triggered by a fall in the price of commodities and rise in United States interest rates.

History seems to be repeating itself as since 2014 the IMF's commodity price index has fallen by more than 40 per cent, and the US dollar has risen in value by 15 per cent.