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Statistical Yearbook on African Central Government Debt: Overview of a New OECD Publication

by

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The borrowing needs of African governments are increasingly met by issuing marketable debt instruments. Leading practices from OECD governments exert an important influence on debt management and the functioning of markets for sovereign debt instruments.

This first issue of the Statistical Yearbook on African Central Government Debt provides comprehensive and consistent information on African central government debt instruments. It includes individual country data but also comparative statistics to facilitate pan-African (cross-country) analysis.

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The *Statistical Yearbook on African Central Government Debt* is the first OECD publication that provides unique and comprehensive information on African central government debt instruments, debt stocks, maturity structure and interest rates. It is envisaged that subsequent editions will be produced and disseminated by the new OECD Centre on African public debt management and bond markets. Revisions, updates and extensions of the database will be published on an annual basis in both paper and electronic formats.

A. Key responsibilities of government debt managers

Meeting borrowing needs at lowest cost

The key responsibilities of government debt managers are the issuing of debt instruments to meet the borrowing needs of governments at the lowest possible cost,[1] the management of the outstanding stock of debt, and the contribution to the development of an efficient market infrastructure in order to maintain good access to the markets for government bills and bonds. The type of debt instruments to be issued, and the amounts to be raised, depend not only on the volume of borrowing requirements but also on the liquidity of the various outstanding instruments, preferences of investors and, more generally, the financial and macroeconomic environment. Successfully raising funds through marketable instruments will depend on factors such as access to well-functioning primary and secondary markets (in particular the degree of market liquidity), and the presence of a well-developed institutional and retail investor base.

B. New *Yearbook* as analytical and policy tool

Debt managers from a growing number of African markets are facing challenges similar to those of their counterparts in advanced markets due to competitive pressures from global finance and the related need to implement OECD leading practices in this policy area.[2]

The new Yearbook provides reliable and consistent information on sovereign debt in African markets

The *Yearbook* provides reliable and consistent information on the composition and development of marketable and non-marketable debt instruments in African markets, which can be used as a new analytical and policy tool by government debt management offices (DMOs) to meet their challenges and implement OECD best practices. But other government agencies, commercial financial institutions, research institutions, credit rating agencies (CRAs), institutional investors, central banks, and international and regional institutions are also targeted users of this new dataset.

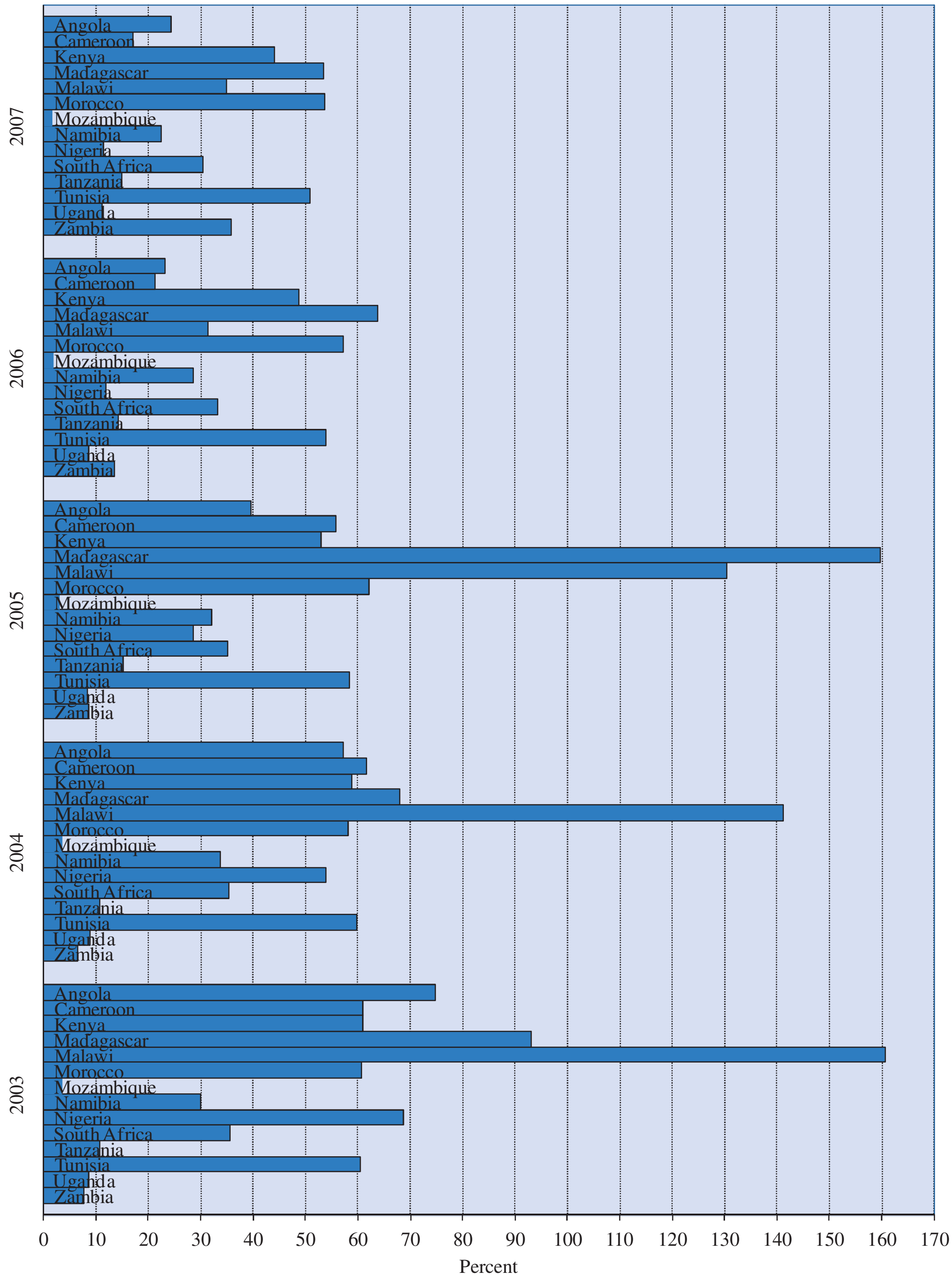
C. Statistics presented within a standard framework to facilitate pan-African analysis

Facilitating pan-African comparative analysis

Statistics in the first issue of the *Statistical Yearbook on African Central Government Debt* refer to both resident and non-resident holdings and are presented within a standard framework to facilitate Pan-African (cross-country) analysis. The publication includes Pan-African comparative statistics as well as information about individual African countries on: i) outstanding amounts of marketable and non-marketable debt (Figure 1), ii) accumulations and decumulations of marketable and non-marketable debt, iii) term to maturity and refixing of marketable and non-marketable debt, iv) ownership of local currency marketable debt, v) interest rates (YTM in secondary markets), and vi) macroeconomic indicators such as GDP (Table 1).

Figure 1. Central government debt

In percent of GDP



Source: OECD (2010), *African Central Government Debt,* Statistical Yearbook 2003-2007

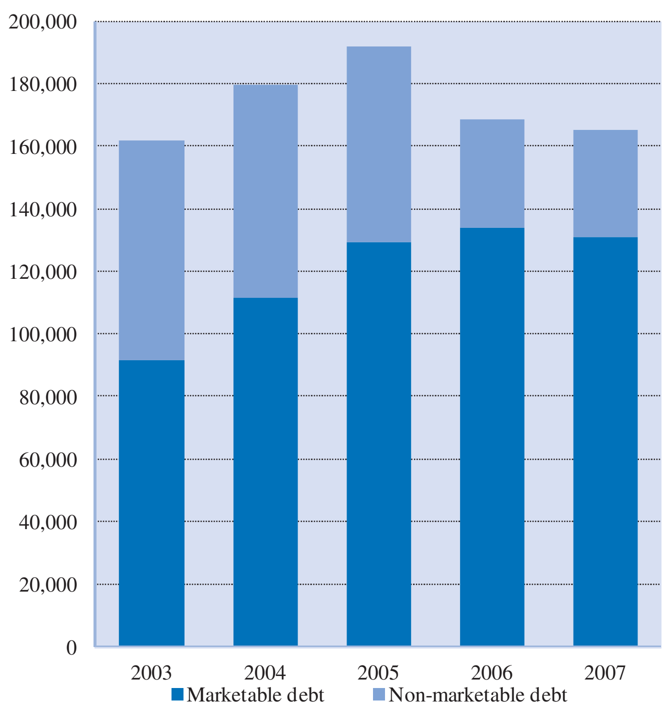
Table 1. Gross domestic product

(In millions of euros)	Fiscal year				
	2003	2004	2005	2006	2007
Angola	14 255	20 815	25 199	34 119	42 549
Cameroon	12 069	12 705	13 339	14 311	15 113
Kenya	11 878	12 017	16 446	17 550	19 256
Madagascar	4 670	3 293	4 069	4 670	5 548
Malawi	1 748	1 981	2 265	2 268	2 369
Morocco	43 021	44 910	48 374	51 824	54 175
Mozambique	3 807	5 093	5 400	5 406	5 922
Namibia	4 116	4 738	5 260	5 126	5 254
Nigeria	49 123	62 885	95 448	110 884	132 924
South Africa	150 940	202 351	229 045	255 597	248 888
Tanzania	8 895	9 659	11 550	10 422	12 363
Tunisia	21 016	21 405	23 199	23 948	24 854
Uganda	5 802	6 608	8 304	8 596	9 222
Zambia	3 646	4 005	7 819	6 750	8 147

Source: OECD (2010), *African Central Government Debt,* Statistical Yearbook 2003-2007

Figure 2. African central government debt

In millions of euros



Note: Countries included are Angola, Cameroon, Kenya. Madagascar, Malawi, Morocco, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Tunisia, Uganda and Zambia.

Source: OECD (2010), *African Central Government Debt*, Statistical Yearbook 2003-2007

Data are provided in national currency for the relevant fiscal year. Aggregate data are converted into euros (Figure 2). Financial derivatives are excluded, unless otherwise indicated.

D. Countries included in the *Yearbook* differ significantly in terms of development and public debt situation

Yearbook benefited from active contributions from African governments

The publication could not have been accomplished without the active contributions from African governments. African debt management offices constitute the principal source of information for the data on instruments and policies. Countries included in this first edition are: Angola, Cameroon, Kenya, Madagascar, Malawi, Morocco, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Tunisia, Uganda and Zambia. These countries differ significantly in terms of development (Table 1) and government debt as a percentage of GDP (Table 2).

Table 2. Central government debt

In percent of GDP

	2003	2004	2005	2006	2007
Angola	74.8	57.1	39.6	23.2	24.3
Cameroon	61.0	61.7	55.9	21.2	17.1
Kenya	61.0	58.8	52.9	48.7	44.2
Madagascar	93.1	68.0	159.8	63.9	53.4
Malawi	160.7	141.2	130.5	31.4	35.0
Morocco	60.8	58.2	62.1	57.3	53.6
Mozambique	3.6	3.4	3.1	1.8	1.6
Namibia	30.0	33.7	32.2	28.6	22.5
Nigeria	68.8	53.9	28.6	11.9	11.4
South Africa	35.6	35.3	35.1	33.3	30.6
Tanzania	10.7	10.7	15.1	14.3	15.0
Tunisia	60.4	59.7	58.3	53.9	50.9
Uganda	8.6	8.8	8.5	8.7	11.2
Zambia	7.6	6.6	8.7	13.7	35.9

Source: OECD (2010), *African Central Government Debt,* Statistical Yearbook 2003-2007

However, all African governments, regardless of development level, can potentially benefit from implementing OECD leading practices in this policy area. A sound framework for public debt management and market development will enable governments to use local savings to finance the budget deficit and, at the same time, encourage the development of domestic currency bond markets.[3]

E. New publication based on the methodology of the OECD Statistical Yearbook on Central Government Debt

New publication based on the methodology of the OECD Statistical Yearbook on Central Government Debt

The new publication is based on the methodology of the *Statistical Yearbook on Central Government Debt* for OECD countries. Accordingly, the African Yearbook covers detailed data on central government debt as well as bilateral, multilateral and concessional loans provided to the central government. Both marketable debt and non-marketable debt are included. Statistics are derived from national sources based on a questionnaire prepared under the auspices of the OECD. Concepts and definitions are based, where possible, on the System of National Accounts (SNA). In the SNA, the general government sector is composed of three parts: central government, state and local governments and social security funds. As explained in the *Statistical Yearbook on Central Government Debt* for OECD countries, the concepts used differ from the Maastricht definition of government debt, both with respect to the institutional coverage and the method of calculation.

F. Second edition of the *Yearbook* will include additional countries

Efforts are under way to expand the publication. For the second edition of the *Yearbook*, additional countries have been approached including: Algeria, Botswana, Central African Republic, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Egypt, Ethiopia, Gabon, Gambia, Ghana, Mali, Mauritania, Mauritius, Namibia, Rwanda, Senegal, Sierra Leone and Tunisia.

G. New OECD publication on African debt management and capital market policies

A parallel OECD publication will focus on the policies supporting public debt management

A parallel OECD publication on African debt management and capital market policies (in preparation) will focus on the policies supporting sovereign issuance, public debt management and the trading of government securities. This future publication will describe and analyse on a country-by-country basis detailed information on the institutional and regulatory framework, as well as the policies underlying primary and secondary markets for debt instruments. Information on secondary market activities (volume, type of instruments, liquidity, prices) will also be included.

These new annual publications constitute an important pillar of the OECD Project on African Public Debt Management and Bond Markets, sponsored by the Icelandic Government. It complements two other pillars, the OECD Forum on African Public Debt Management (focused on strategic debt management policy issues) and the OECD Regional Workshop on African Debt Management and Bond Markets (focused on developing bond markets). Both meetings constitute a forum for a structured policy dialogue with debt managers, bankers, exchanges, central bankers and other financial officials involved in public debt management and government securities markets. Through the policy dialogue and OECD-led African network, debt managers and policy makers from both sub-Saharan and North Africa are getting efficient and well-structured access to the OECD-led global knowledge network of debt managers.

Notes

1. While keeping market risk at an acceptable level (Blommestein, 2010).

2. Blommestein and Horman (2007).

3. Interest payments on local-currency debt often consume a larger share of revenues than those on foreign-currency debt, even though foreign-currency debt predominates in nominal terms. This is because local-currency debt is more costly than foreign-currency debt, reflecting the availability of externally-sourced funding on concessional terms and high real interest rates in the domestic market. The policy question arises concerning the appropriate balance between minimising cost and minimising risk, in particular taking account of the major risks (interest rate, exchange rate and refinancing) and possibility of other budgetary shocks, such as from a sudden drop-off in aid inflows (Blommestein and Horman, 2007).

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