

**Debate Pack**

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## Debt in Africa

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# 1 Summary

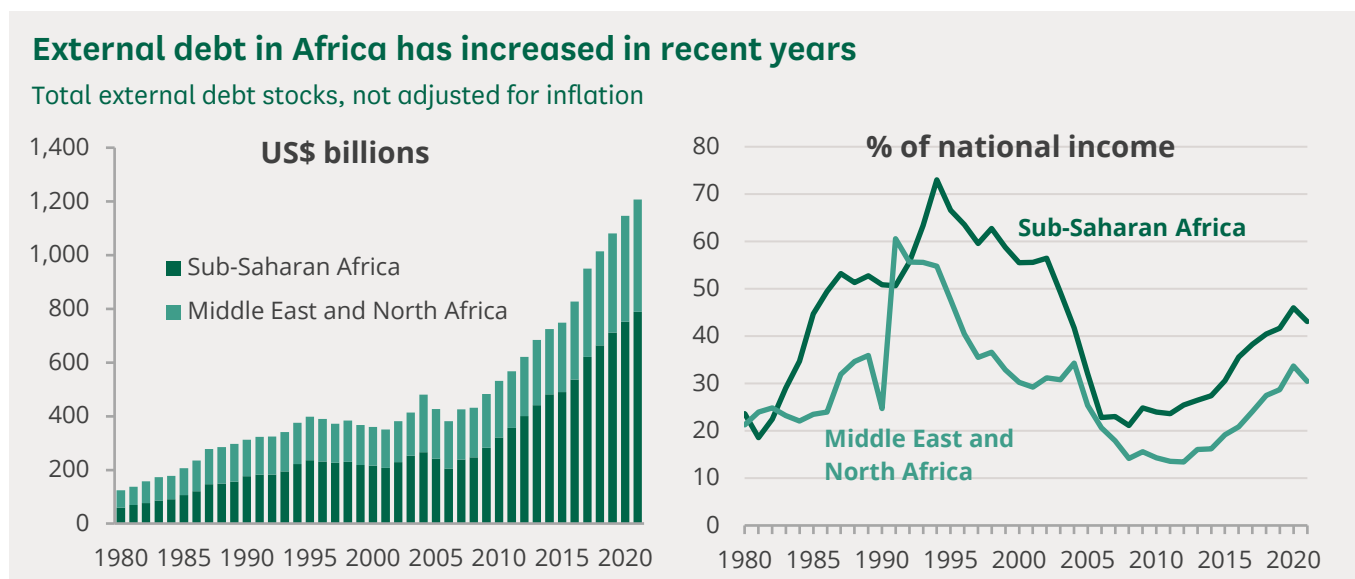
A Westminster Hall debate on debt in Africa is scheduled for Tuesday 21 November 2023, from 2:30-4:00pm. The debate will be opened by Tanmanjeet Singh Dhesi MP.

The debate will be available to watch on [Parliamentlive.tv](https://www.parliamentlive.tv).

## 2 Background

### 2.1 Total external debt

Levels of debt in developing countries in Africa have varied over recent years.<sup>1</sup> As the chart below shows, nominal levels of debt in both sub-Saharan Africa and the Middle East and North Africa began to sharply increase in the early 2000s, and the rate has not slowed in recent years.



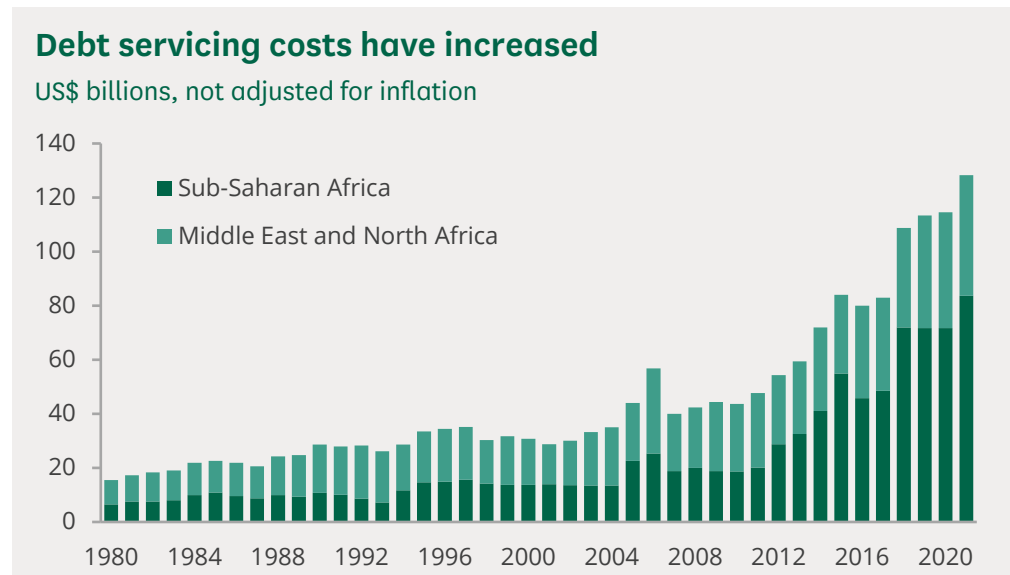
Source: International Debt Statistics, via [World Bank Open Data](https://data.worldbank.org), retrieved 17 November 2023

As we explain in the Commons Library's research briefing [Debt relief for low-income countries](#), debt is not necessarily a bad thing in and of itself, and can help with economic development. The increase in debt in the early 2000s was indeed accompanied by higher economic development in Africa. This meant that as a proportion of these countries' national income, debt actually decreased over the early 2000s, and only began to increase again from the late 2010s onwards. As of 2010, developing countries in sub-Saharan Africa

<sup>1</sup> "Developing" countries here means low and middle-income countries, [as defined by the World Bank](#).

had a total external stock of debt of about US\$790 billion, or around 43% of national income.

The cost of servicing this debt, however, has also increased. As the chart below shows, developing countries in sub-Saharan Africa paid about US\$84 billion in debt servicing in 2021, with countries in the Middle East and North Africa paying a further US\$45 billion.



Source: International Debt Statistics, via [World Bank Open Data](#), retrieved 17 November 2023

According to the World Bank's [Debt Sustainability Analysis](#), as of the end of September 2023 there were nine African countries in 'debt distress' (unable to fulfil their repayment requirements).<sup>2</sup> A further 15 African countries were at high risk of debt distress, with another 14 at moderate risk.

## 2.2

## Debt owed to the UK

As of 31 August 2022, countries in Africa owed a total of £2,758 million to the UK. This accounts for 56% of all debt owed to the UK by foreign countries. The total levels of debt can be broken down by country as shown below.

<sup>2</sup> World Bank, [Debt Sustainability Analysis](#), end-September 2023 (retrieved 17 November 2023). The nine countries in debt distress are the Republic of Congo, Ghana, Malawi, Mozambique, Sao Tome and Principe, Somalia, Sudan, Zambia and Zimbabwe. Eritrea has also been in debt distress in recent years, but its latest debt sustainability analysis is not currently publicly available.

<b>Sovereign debt owed to the UK by African countries</b>			
£ millions, as of 31 August 2022			
	UK Export Finance	FCDO	Total
Sudan	902.88	1.49	904.37
Uganda	380.37	0.00	380.37
Zimbabwe	294.15	48.19	342.34
Ghana	268.83	0.00	268.83
Zambia	252.44	0.00	252.44
Angola	235.20	0.00	235.20
Benin	141.13	0.00	141.13
Cote d'Ivoire	104.07	0.00	104.07
Cameroon	43.10	0.00	43.10
Senegal	40.15	0.00	40.15
Somalia	25.68	0.22	25.90
Gabon	13.03	0.00	13.03
Seychelles	0.86	3.73	4.59
Egypt	0.54	1.10	1.64
Kenya	0.00	0.54	0.54
Lesotho	0.00	0.07	0.07
<b>Total</b>	<b>2,702.43</b>	<b>55.34</b>	<b>2,757.77</b>

Source: HM Treasury, [UKEF and FCDO sovereign exposure by recipient country outstanding and arrears](#), 15 December 2022

This shows that Sudan has the highest level of debt to the UK, at £904 million. It also shows that the vast majority of outstanding debt exposure is accounted for by [UK Export Finance](#) (the UK's export credit agency, which provides finance and insurance to help UK exporters).

## 2.3

### Aid spending on debt

Only a relatively small amount of debt is still owed to the UK by African countries, which means that aid spending on relieving this debt is also low. Between 2014 and 2022, the only UK aid spending on debt in Africa was £44 million of debt forgiveness for Somalia in 2020 under the [Heavily Indebted Poor Countries Initiative](#).<sup>3</sup>

The UK Government argues that its small debt portfolio means that it can play only a “limited role” in debt restructuring in lower-income countries, and instead helps to coordinate debt relief globally. UK government actions on

<sup>3</sup> FCDO, [Statistics on International Development: final UK aid spend 2022](#), 14 September 2023

debt relief is explained further in section 5 of the Library research briefing [Debt relief for low-income countries](#).

## 3

# Press and media articles

The following is a selection of press and media articles relevant to this debate.

Please note: the Library is not responsible for either the views or accuracy of external content.

### [China 'world's biggest debt collector' as poorer nations struggle with its loans](#)

Guardian  
Amy Hawkins  
6 November 2023

### [Navigating the complex terrain of China-Africa debt relations](#)

Institute for Security Studies  
Jana De Kluiver  
2 November 2023

### [Severe debt burdens thwarting progress on climate and poverty, says World Bank](#)

Guardian  
Larry Elliot  
11 October 2023

### [If you want our countries to address climate change, first pause our debts](#)

New York Times  
William Ruto and others  
8 October 2023

### [What a doctor's death in a lift may tell us about Africa's debt crisis](#)

BBC News  
Joe Inwood and Nkechi Ogbonna  
1 September

### [Bishops join African faith leaders in call for debt relief](#)

The Tablet  
Ellen Teague  
28 August 2023

### [Public debt in Africa: structure is the primary issue, not volume](#)

Mo Ibrahim Foundation  
24 August 2023

**UK rejects calls to force 'vulture funds' to join debt relief efforts**

Devex

Rob Merrick

8 June 2023

**Opinion: G-7 meeting is opportunity to prioritize African debt relief**

Devex

Alfred Adewale Martins

18 May 2023

**Sovereign debt in Africa: large interest rate differences across creditors**

Kiel Institute for the World Economy

2 May 2023

**Slowing debt accumulation, growing risks: Unveiling the complexities of Sub-Saharan Africa's debt burdens**

World Bank Blog

Kifaye Didem Bayar and others

27 March 2023

## 4

## Press releases

### [Caucus of African Governors, 2023: Minister Mitchell's speech](#)

Foreign, Commonwealth & Development Office

8 July 2023

Andrew Mitchell, UK Minister for Development and Africa, gave a closing speech at the 2023 Caucus of African Governors of the World Bank and IMF.

### [Multilateral reform: Foreign Secretary's speech at Chatham House London Conference 2023](#)

Foreign, Commonwealth & Development Office

29 June 2023

The Foreign Secretary James Cleverly gave a speech at Chatham House's London Conference 2023, where he called for a reinvigorated multilateral system.

### [Future of international development: Minister Andrew Mitchell's speech](#)

Foreign, Commonwealth & Development Office

27 April 2023

International Development Minister Andrew Mitchell spoke at Chatham House on a new vision for UK development to address climate change and reduce poverty.

### [UK to host African Investment Summit in April 2024](#)

Prime Minister's Office, Foreign, Commonwealth & Development office,  
Department for Business and Trade

9 March 2023

The Prime Minister will host African leaders in London for the second UK-African Investment Summit on 23-24 April 2024.



## 5

## PQs

### Africa: China

18 Oct 2023 | 199952

**Asked by: Lisa Nandy**

To ask the Secretary of State for Foreign, Commonwealth and Development Affairs, whether he has had recent discussions with his counterparts in Africa on sustainability and Chinese-led development projects in Africa.

**Answering member: Andrew Mitchell | Foreign, Commonwealth and Development Office**

China's engagement with African countries has had a significant impact across the continent, contributing to growth and economic development. However, elements of China's activities have raised issues including around Environmental, Social and Governance (ESG) standards, transparency and accountability, and the handling of debt issues.

### Africa: Debts

22 Sep 2023 | 199442

**Asked by: Ruth Jones**

To ask the Secretary of State for Foreign, Commonwealth and Development Affairs, what assessment he has made of the implications for his policies of the joint statement by African faith leaders on 8 August 2023 on reducing debt in African countries.

**Answering member: Andrew Mitchell | Foreign, Commonwealth and Development Office**

The UK Government notes the statement by African Faith Leaders. We are working to ensure swift progress and effective implementation of debt treatments and are working to deliver a long-term, sustainable approach to dealing with debt restructurings through the Common Framework. The UK is leading improvements to the global debt architecture and is supporting efforts to find coordinated solutions on debt including through the Global Sovereign Debt Roundtable. During the pandemic, the UK supported the G20 Debt Service Suspension Initiative and contributed £150 million to the International Monetary Fund (IMF) Catastrophe Containment and Relief Trust to provide debt relief.

### **Africa: Partnerships**

14 Sep 2023 | 832 c1107

#### **Asked by: Lord Collins of Highbury**

My Lords, the Africa Climate Summit in Nairobi on 4 September evidenced the determination of African countries to work together to set out a positive agenda for driving green growth. However, the debt burden and rising interest rates increasing the cost of borrowing from capital markets are inhibiting the huge potential for green growth in Africa. What are the Government doing across Whitehall with international partners to reform multilateral development banks so that the growth potential is fully realised?

#### **Answered by: Lord Mott | Whips Office**

I thank the noble Lord, Lord Collins of Highbury, for his question. The UK is a partner for African countries that are disproportionately affected by climate change. I will give some examples of the work that we are doing in relation to this, which demonstrates our commitment to supporting those countries. We have ambitious energy transition plans, providing £1.8 billion of international partners group finance, and we are delivering on our commitment to double international climate finance to £11.6 billion by 2025-26. The UK has supported the “room to run” guarantee to the African Development Bank, which is expected to unlock up to £2 billion-worth of new financing for projects across the continent and £200 million to the African Development Bank and the climate action window.

### **Africa: Debts**

12 Sep 2023 | HL9807

#### **Asked by: The Lord Bishop of Manchester**

To ask His Majesty's Government what assessment they have made of the statement by African Faith Leaders on 8 August calling for a reduction of debt across African countries.

#### **Answering member: Baroness Penn | HM Treasury**

The Government notes the statement by African Faith Leaders and we are working with our G20 partners to ensure swift progress and effective implementation of debt treatments under the Common Framework to deliver a long-term, sustainable approach to dealing with debt vulnerabilities. The Paris Club and the G20 have been clear that private creditors must participate in restructurings on terms at least as favourable as those provided by the official sector.

The UK is also championing greater transparency around sovereign lending and borrowing, which plays an important role in supporting the debt sustainability of developing countries. While adhering to the G20 Operational Guidelines for Sustainable Financing and OECD sustainable lending

principles, the UK has also put addressing the nexus between climate and debt at the top of its international agenda through pioneering the use of climate resilient debt clauses (CRDCs).

### [Africa: Sovereign Debt and Resilience to Climate Change](#)

13 Jun 2023 | 734 c148

**Asked by: Jeff Smith**

Every dollar spent by low-income countries on servicing unsustainable debt is a dollar not spent on providing basic services and tackling climate change. I know that the Minister wants to make a difference on this, but the status quo clearly is not working. Given that 90% of developing country debt contracts are governed by English law, why will the Government not agree even to consult on legislative opportunities to compel private creditors to take part in debt restructuring, to make them part of the solution, not the problem?

**Answered by: Andrew Mitchell | Foreign, Commonwealth and Development Office**

As the hon. Gentleman knows, we are looking at that specific issue. We think there is a case for majority voting when it comes to debt settlements, and we are exploring all that. He is right to emphasise that 15% of low-income countries are already in distress and 45% are at high risk of entering debt distress. Next week, at the Macron summit in Paris, Britain will be driving forward the climate-resilient debt clauses, which our export credit agency, UK Export Finance, was the first to start to put into grants. That will make an enormous difference, and we are pressing for all creditors to offer such clauses in their loans.

### [Africa: Sovereign Debt](#)

02 May 2023 | 732 cc8-9

**Asked by: Kate Osamor**

What steps he is taking to help low and middle-income African countries with restructuring sovereign debt.

**Answered by: Andrew Mitchell | Foreign, Commonwealth and Development Office**

We are playing our part in ensuring timely treatment where the UK is a creditor, such as in Zambia and Ghana, and pushing for improvements to the G20 common framework and other debt relief processes.

**Asked by: Kate Osamor**

In Somalia in 2020, a staggering 98.9% of Government revenue was spent on debt financing. Clearly, it is impossible for a state to tackle poverty in those circumstances, but the Government's most recent international development

strategy largely omits debt relief. While the Government are currently considering the International Development Committee's report on debt relief, please will the Minister commit to prioritising this issue in the future?

**Answered by: Andrew Mitchell**

The hon. Lady is quite right to raise the issue of Somalia, which is one of only three countries, I think, that has not yet received its heavily indebted poor countries settlement. She will be pleased that Britain is in the lead on the climate-resistant debt clauses, which will mean that, when a disaster strikes or when there is a specific event, countries will be able to delay all capital and interest payments for two years, which will then be added to the back end of the loan. Therefore, Britain is in the forefront of addressing this very important problem, which is rising in Africa.

**Asked by: Preet Kaur Gill**

Last week, the Minister said:

“A time when crises are everywhere, but leadership is not. When we can save a bank in California in three days, but Zambia waits more than two years for debt relief.”

I agree. However, the Minister knows that 90% of international bonds owed by countries eligible for the common framework are governed by English law, so what leadership is he demonstrating to ensure vulture funds cannot block debt-restructuring processes by simply refusing to come to the table?

**Answered by: Andrew Mitchell**

The hon. Lady makes a very good point. I am flattered that she has read the speech I gave at Chatham House last Thursday. We are extremely concerned about the use of vulture funds, and Britain has been the lead country in trying to clamp down on them. I assure her that we will continue with that work.

**[Africa: Sovereign Debt](#)**

13 Dec 2022 | 724 cc876-7

**Asked by: Kate Osamor**

What assessment he has made of the potential effect of trends in the level of sovereign debt in Africa on stability in that region.

**Answered by: Andrew Mitchell | Foreign, Commonwealth and Development Office**

The significant debt vulnerabilities in many sub-Saharan African countries create risks for their growth, development and stability.

**Asked by: Kate Osamor**

I thank the Minister for his reply. We have seen crippling crises affect various parts of Africa this year, from drought in the horn of Africa to floods in Nigeria. The debt burden of many low and middle income countries impacts the state's capacity to cope, and the crisis only worsens the economic outlook further. As the charity Debt Justice has proposed, will the Government commit to supporting a universal framework for debt cancellation when an extreme climate event strikes, to prevent that double whammy?

**Answered by: Andrew Mitchell**

We look at every way of helping to address the problem that the hon. Lady sets out. We are providing bilateral technical assistance to help many countries better manage their public funding, and we are working with partners in the Paris Club and the G20 on how to address international debt issues together. We have already seen the progress that results from that in Ghana, where I am going today, and in Malawi.

**Asked by: Sir James Duddridge**

Is my right hon. Friend concerned, as I am, that Chinese sovereign debt is perhaps understated in countries such as Zambia, where banks lend directly to the Government but are effectively controlled by the ministry of finance in China? Will he do more to understand the totality of the debt and the indebtedness of specific countries to the Chinese Government?

**Answered by: Andrew Mitchell**

Yes. My right hon. Friend makes a very good point, and we need to show through what we do that there is a much better alternative. In 2020, we provided debt relief on repayments to the International Monetary Fund for 23 countries and contributed £150 million to the IMF catastrophe containment and relief trust. It is by doing such things that we show that there is a better way than the one the Chinese are using.

**Asked by: Preet Kaur Gill**

The IMF says that three out of five of the world's poorest countries are now in debt distress. The last Labour Government cancelled billions of pounds of multilateral debt. Any solution now depends on China, which receives 66% of all bilateral payments, and private creditors such as BlackRock. The future of millions of the world's poorest depends on halting debt defaults, so what steps will the Government now take to engage seriously with China and bring forward the incentives, regulation and education needed to force private creditors to the table?

**Answered by: Andrew Mitchell**

The shadow Minister makes a good point. I think she is referring specifically to vulture funds, which we will certainly address. I want to make it clear to the House that we are working very closely with the international financial community. We understand absolutely the risks of instability that the

situation creates, and the hon. Lady will have seen the work on stabilisation that has been done by both the Africa Development Bank and the World Bank.

### **Debts: Africa**

**15 Dec 2020 | HL10946**

#### **Asked by: Lord Boateng**

To ask Her Majesty's Government what assessment they have made of the case for responding to COVID-19-related sovereign debt issues in Africa (1) by allocating special drawing rights by the International Monetary Fund to the worst affected countries, and (2) extending the G20's debt service suspension initiative to permit the participation of multilateral development banks and private sector creditors.

#### **Answering member: Lord Agnew of Oulton | HM Treasury**

The UK has been vocal in its support for the IMF, helping economies facing liquidity pressures as a result of Covid-19, including supporting the IMF exploring an SDR allocation. Moreover, the UK has helped the worst affected countries by contributing £150m to the IMF's Catastrophe Containment and Relief Trust which provides debt service relief to the lowest-income countries. This has allowed 28 countries to alleviate their funding pressures and helped them increase their social and Covid-19 related spending. The UK has also provided a new £2.2bn loan to the IMF's Poverty Reduction and Growth Trust to provide financial assistance to low income countries at concessional rates to respond to Covid-19.

The UK has engaged with the UN on debt issues, reaffirming our commitment to support debt relief initiatives for vulnerable countries. However, we have not supported the creation of a permanent debt resolution mechanism at the UN. Previous discussions at the IMF could not secure consensus on such a mechanism and we do not judge that this has changed. Instead, the UK has worked through the G20 and Paris Club, first to deliver the Debt Service Suspension Initiative which has paused payments from the poorest 46 countries until at least mid-2021 and second to develop a Common Framework for future debt treatments which will facilitate quicker and simpler restructurings where required. This historic achievement marks the first time traditional creditors from the Paris Club, and emerging G20 creditors, such as China, the largest bilateral creditor, have agreed to participate in coordinated debt restructurings where they are needed.

To ensure that the multilateral development banks are able to continue mobilising large amounts of financing during the crisis, the UK and the G20 has supported the MDBs taking a "net positive flows" approach to DSSI participation. This ensures that borrowing countries receive significantly more funds from the MDBs in 2020 than they repay. For the most vulnerable, much of this funding will be on grant terms. We are disappointed that there has not

been significant DSSI implementation by private sector creditors. Our assessment, which is shared by the IMF and the World Bank, has been that this has primarily been driven by a lack of willingness from borrowing countries to request suspensions from private creditors due to risks to their sovereign credit ratings. We strongly encourage private creditors to participate on comparable terms when requested by eligible countries.

Technical assistance and capacity building are critical to ensuring long-term debt sustainability in developing countries and even more important during crises. The UK is a donor to the joint IMF-World Bank Debt Management Facility (DMF), a world leading facility which provides high quality technical assistance in a wide range of areas, ranging from debt monitoring, recording and transparency to debt crisis response. The UK is providing £4m over 5 years to the DMF. We have also recently announced new funding for the African Legal Support Facility, providing £1m over two years, which supports countries to build negotiation capacity and engage with their creditors on a level playing field.

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