

44th AAPAM Roundtable Conference

Theme:

**Agile Public Administration: Partnership and Digital
Transformation for Citizen-Centric Service Delivery**

Topic:

DEBT BURDEN AND DONOR FATIGUE

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Venue:

***Esibayeni Lodge,
Matsapha, Kingdom of Eswatini***





Session Outline



- Current state of debt in Africa
- Impact of debt burden
- Defining donor fatigue
- Preparing for self reliance
- Conclusion

Africa's Debt Crisis: The Continental Picture



⚠️ Debt Distress

20

low-income African countries in debt distress

57% of assessed countries - Over 100 countries facing distress or at risk

📈 Debt Service

\$88.7B

projected external debt service (2025)

Aggregated debt-to-GDP ratio: 68.6%

💰 External Debt

\$685.5B

owed to external creditors (2023)

Equivalent to 24.5% of GDP

🌐 Debt Composition

Private creditors hold

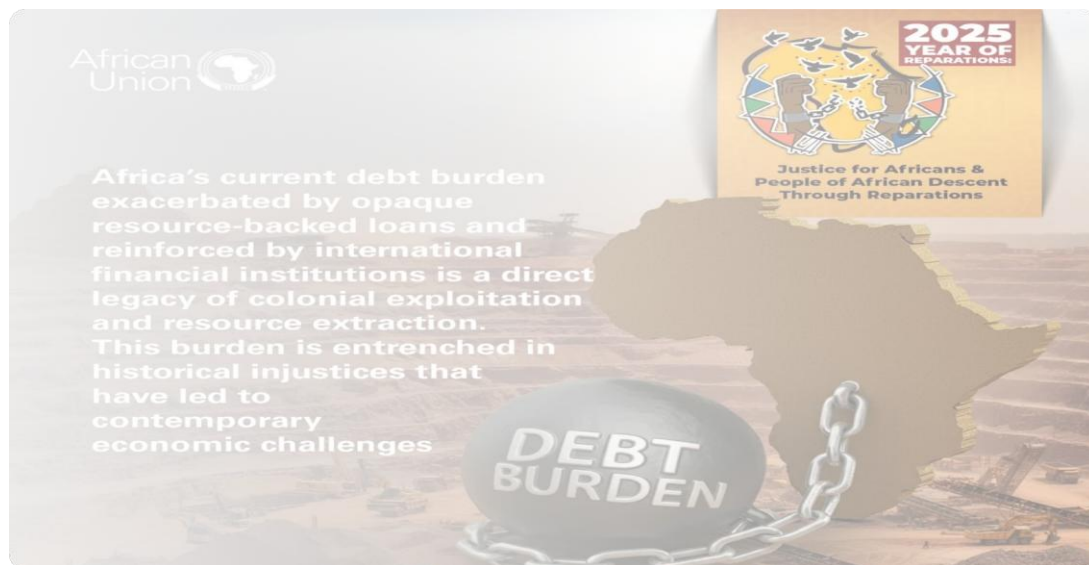
>43%

of Africa's external debt

The Big Picture

Africa's debt burden places a considerable strain on national budgets, diverting resources from critical public services.

The Human Cost of Debt



! The Human Impact

As debt burden increases in low-income African countries

📉 Revenue Drain

16.7%

of African govt revenues spent on debt servicing in 2023

🏥 Critical Services

30+ African countries spend more on debt interest than on public health

Investment in critical sectors declined by 35% in debt zone countries

⚖️ Economic Impact

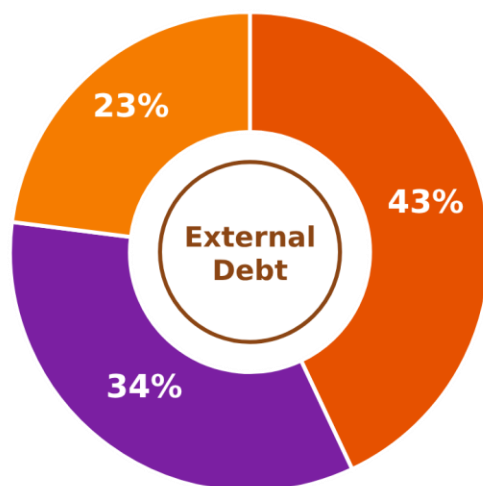
Government borrowing crowds out private firms, slowing growth and increasing household debt

Who Holds Africa's Debt?



Africa's External Debt Composition

as of 2023



Private Creditors
(43%)

Multilateral Creditors
(34%)

Bilateral Creditors
(23%)

Creditors Shift

Africa's debt has shifted from traditional official creditors to a more diversified mix, including commercial markets.



Private Financing

Private creditors include commercial banks and bondholders, with an increasing share reflecting African countries' turn to commercial markets.



China's Role

China is Africa's largest bilateral lender, with almost US\$62 billion of Africa's external debt. New commitments to IDA-eligible countries have declined since 2016.

Impact on Citizens: Crowding Out Essential Services



! Debt vs. Development

Over 30 African countries were spending more on debt service than on healthcare **before COVID-19**.

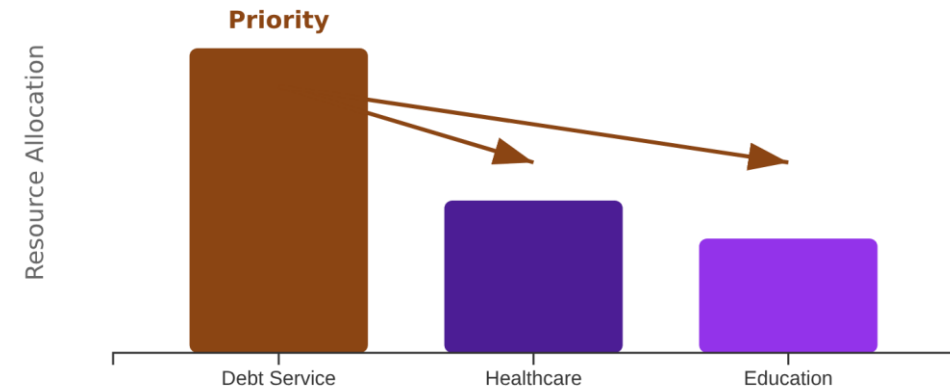
This creates a critical trade-off where governments prioritize loan repayments over investments in human capital.

👥 Impact on Citizens

- Reduced access to quality healthcare services
- Underfunded education systems
- Diminished public infrastructure development
- Critical human capital investment compromised

The Crowding Out Effect

Conceptual Representation of Resource Allocation



Long-term Consequences

When governments divert resources from essential services to debt servicing, it creates a cycle that undermines long-term development and well-being.

Understanding Donor Fatigue: Definition and Modern Drivers



Modern Drivers of Donor Fatigue

Definition

Donor fatigue refers to a reluctance of donors to commit to funding due to the frequency and volume of appeals.

“ In the modern context, this phenomenon is increasingly influenced by shifting geopolitical priorities and evolving global dynamics.



Change in Country Policy

Policies such as "America First" indicate a shift towards prioritizing domestic interests, potentially reducing foreign aid commitments.



Budget Pressures

Donor nations face their own economic constraints and are confronted with multiple global crises, leading to difficult choices in allocating limited resources.



Shifting Geopolitical Priorities

The redirection of aid towards conflicts and humanitarian emergencies, such as those in Ukraine and Gaza, diverts funds from other long-standing development initiatives.



Decline in Official Development Assistance

ODA as a percentage of GDP has steadily declined over the past 15 years, impacting a critical support source for many developing regions.



Reduced Bilateral Lending from Non-Traditional Donors

China's official bilateral lending has significantly decreased from its peak in 2016, further limiting funding options for developing countries.

The Double Bind: Declining Aid and Rising Commercial Debt



Declining Traditional Aid

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Shifting Priorities

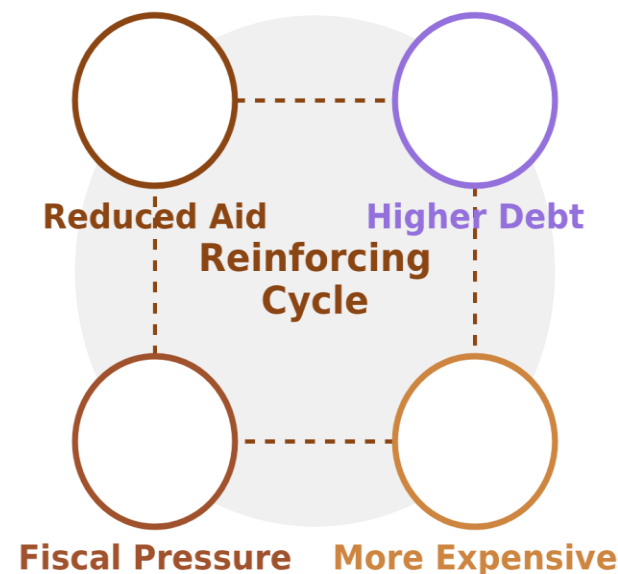
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Reinforcing Cycle

As ODA declines, countries are pushed toward more expensive commercial debt, exacerbating debt burden and creating a cycle that's difficult to break.

The Cycle of Indebtedness



Source: Afreximbank Research, 2025

An Opportunity for Self-Reliance



The confluence of rising debt and diminishing aid presents a unique opportunity for African nations to embrace self-reliance as a cornerstone for sustainable development.



Internal Restructuring

Re-evaluate financial strategies and prioritize robust domestic resource mobilization.



Fiscal Resilience

Build stronger fiscal management systems and reduce vulnerability to external shocks.





Sustainable Development

Move beyond dependency cycles toward self-sufficient development models.


Pathways to Fiscal Health: Strengthening Domestic Resources



- 
- Broadening the Tax Base**
Expand taxpayers and ensure compliance across sectors, rather than increasing tax rates.
- Bring informal sectors into tax net
 - Improve tax administration

- 
- Mobilizing Domestic Savings**
Encourage citizens to save through mechanisms to create sustainable domestic capital.
- Develop pension schemes
 - Channel savings into investments

- 
- Attracting Local Investment**
Develop domestic bond markets to encourage local investors.
- Create diverse investor base
 - Reduce foreign exchange risks

- 
- Improving Resource Mobilization**
Enhance fiscal management and resource generation.
- Optimize public revenue collection
 - Enhance fiscal planning

Integrated Approach to Fiscal Health



Improving Fiscal Discipline and Governance



Enforcing Fiscal Rules

- ✓ Implement clear fiscal rules guiding government spending
- ✓ Cut recurrent expenditures efficiently
- ✓ Cap public sector wage bill
- ✓ Rationalize subsidies for efficiency

Effective fiscal rules create sustainable debt pathways



Regulated PPPs

- ✓ Engage private sector in infrastructure delivery
- ✓ Establish strong regulatory frameworks
- ✓ Ensure transparent contracts
- ✓ Protect public interest from hidden liabilities

PPPs can deliver services without increasing debt



Avoiding Populism

- ✓ Resist political pressure for blanket subsidies
- ✓ Focus on targeted interventions
- ✓ Prioritize efficiency in public spending
- ✓ Build political consensus for fiscal discipline

Sustainable development requires fiscal responsibility

! Effective fiscal management creates a foundation for sustainable development and reduces vulnerability to debt crises.

Digital Transformation: Plugging Leaks and Enhancing Transparency



Kenya's e-Procurement System

A digital initiative that seeks to streamline Kenya's procurement process, enhancing efficiency and transparency in government spending.

- ✓ Reduces opportunities for corruption through transparent bidding
- ✓ Ensures competitive bidding process
- ✓ Enhances oversight of government spending

Kenya's e-procurement system will become a model for other countries seeking to improve public financial management.



Rwanda's e-Invoicing System

A comprehensive digital platform that has digitized Rwanda's tax administration and financial transactions, leading to improved fiscal health.

- ✓ Improves tax compliance through digital tracking
- ✓ Reduces fraud in the tax system
- ✓ Provides real-time data on revenue collection

Rwanda's e-invoicing system has contributed significantly to the country's improved fiscal health and economic growth.

Conclusion



Embrace Agile Administration

- ✓ Implement fiscal rules and improve governance
- ✓ Prioritize domestic resource mobilization
- ✓ Resist political pressures for unsustainable spending



Foster Strategic Partnerships

- ✓ Build partnerships that prioritize mutual benefit
- ✓ Engage the private sector through transparent PPPs
- ✓ Align donor efforts with national priorities



Leverage Digital Innovation

- ✓ Implement digital tools to combat corruption
- ✓ Enhance transparency through digital platforms
- ✓ Build digital infrastructure for inclusive service delivery

→ Our Path Forward

African leaders must demonstrate candor with citizens and commit to living within means.

The time for action is now