

The effects on African debt

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Resource-backed loans contributed to the debt crises that struck several African countries after 2014. Their frequently opaque character complicated the assessment of debt sustainability by the International Monetary Fund and the World Bank. Their repayment in kind reduced budget revenues at the very moment when prices were falling. The international financial institutions responded by strengthening their debt transparency requirements and incorporating resource-backed loans into their analyses.¹

The Natural Resource Governance Institute calls on African governments to shed light on these loans, to publish their contracts and terms, to include them in debt statistics and to subject them to parliamentary approval procedures.² The Extractive Industries Transparency Initiative has included resource-backed loans in its reporting requirements. It cites Chad and the reports of Glencore and Trafigura on payments to governments as examples of disclosure.³

For African countries, what is at stake goes beyond transparency. It concerns the ability of states to negotiate fair terms, to assess the risks of a fall in prices, to allocate the funds to productive investment and to prevent resource-backed loans from being used to finance current expenditure or to circumvent budgetary controls. It also concerns competition between creditors: the Chinese banks and the Western traders vie for access to African resources. This competition may improve the terms offered to countries, or on the contrary encourage them to borrow beyond what is reasonable.

1 Notes

1. IMF and World Bank, Collateralized Transactions: Key Considerations for Public Lenders and Borrowers, 19 February 2020 (at

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the request of the G20 International Financial Architecture Working Group); David Mihalyi and Jyhjong Hwang, Resource-Backed Loans in Sub-Saharan Africa, World Bank, Policy Research Working Paper 9923, 2022: 30 resource-backed loans for USD 46.5 billion (2004-2018), only 15 of them appearing in the World Bank's Debtor Reporting System, the Sicomines contract alone made public; IMF, "Debt Limits Policy" and Debt Sustainability Framework for Low-Income Countries (imf.org). ↩

2. Natural Resource Governance Institute, 2023, cited above. ↩
3. Extractive Industries Transparency Initiative, cited above, which mentions the first disclosures of prefinancing by Trafigura in 2020. ↩

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