



**WORLD BANK GROUP**

# RESOURCE-BACKED LOANS IN SUB-SAHARAN AFRICA

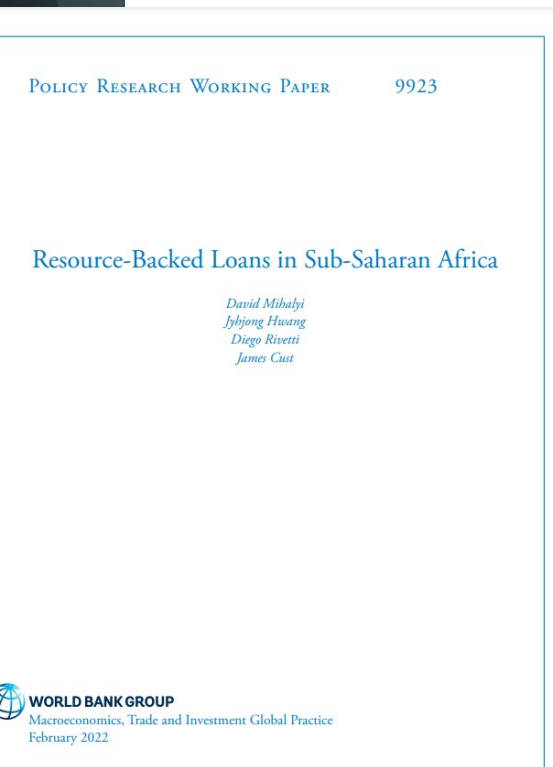
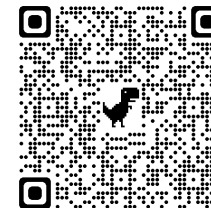
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DEBTCON 5 – EUI, FLORENCE

# PRESENTATION OUTLINE

- Definitions
- Evidence on Resource-Backed Loans
- Recommendations



# DEFINITIONS

**Collateralized debt:** A debt instrument is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt.

**Resource-backed loans (RBLs):** Loans to a government or a state-owned company to be repaid in or collateralized by commodity revenue stream (or asset).

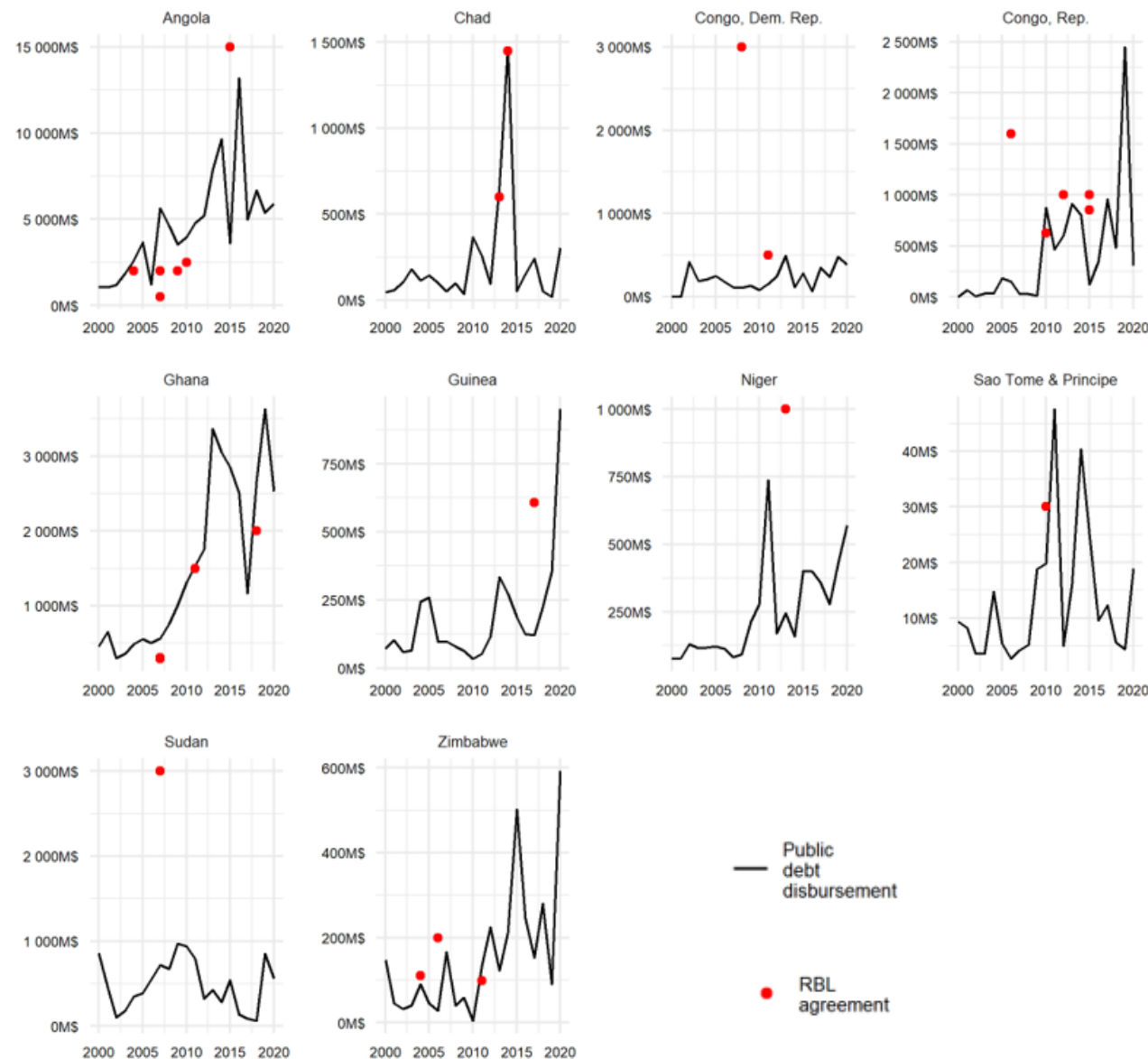


# EVIDENCE ON RBLS FROM SUB-SAHARAN AFRICA

# DISTRIBUTION OF RBLs

- We were only able to identify 30 such loans in 2004-2018 period across Sub-Saharan Africa.
- Few in numbers but big in size.  
8 percent of SSA total borrowing in same period
- Represents major share of debt in some countries with many repeat borrowers.
- None identified in most countries in the region.

Total public debt disbursements vs. RBL commitments

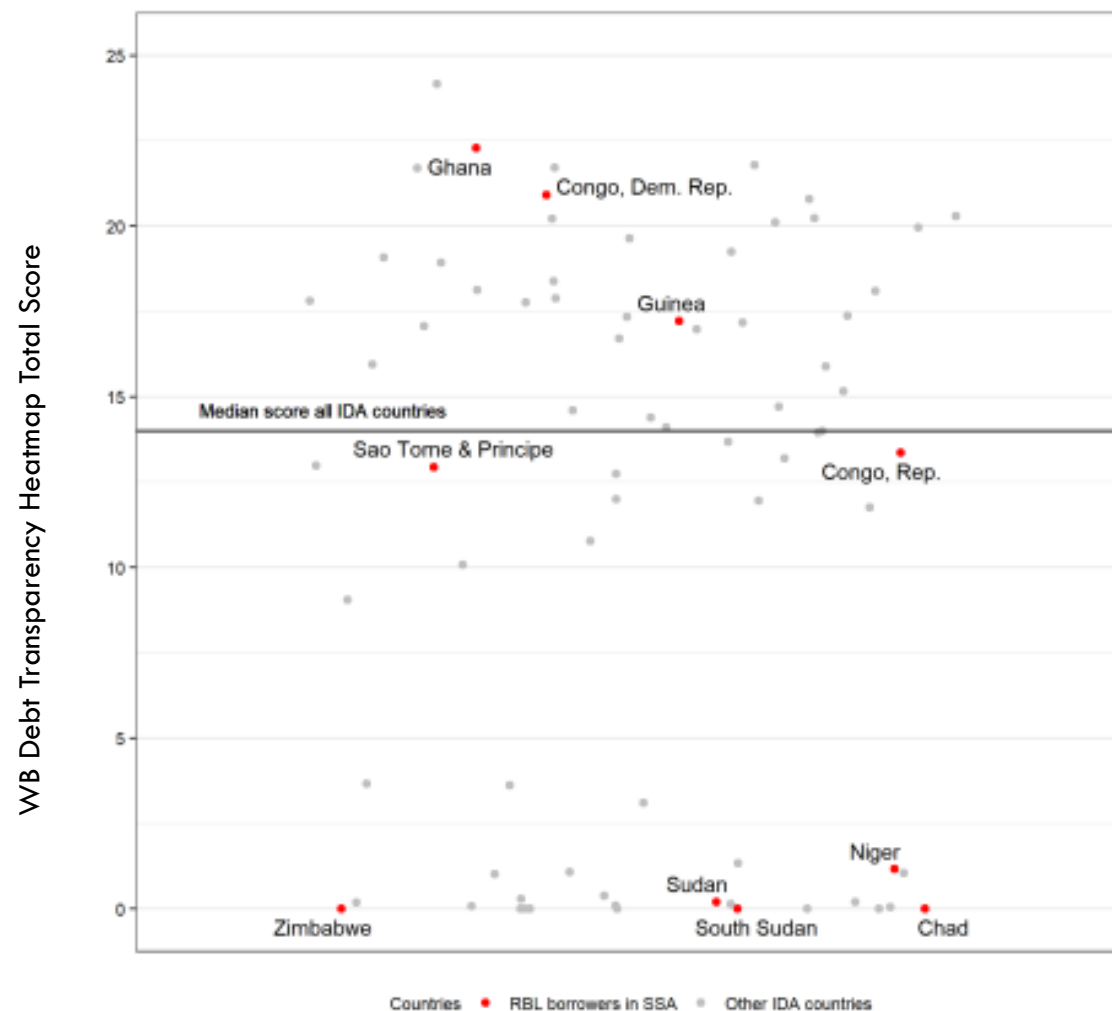


# TRANSPARENCY OF RBLs

Only 50% of RBLs could be identified in the Debt Reporting System. This is likely because:

- RBLs concentrated in borrowing countries with weaker debt reporting practices (as measured on WB Debt Transparency Heatmap)
- Not systematically recognized and classified as debt by the borrower (e.g. pre-payment)
- Stringent confidentiality clauses
- Borrowed via SOEs or special purpose vehicles (SPVs) which are off-budget and/or beyond the data collection mandate of the DMOs
- Lack of reporting requirement on collateralization features.

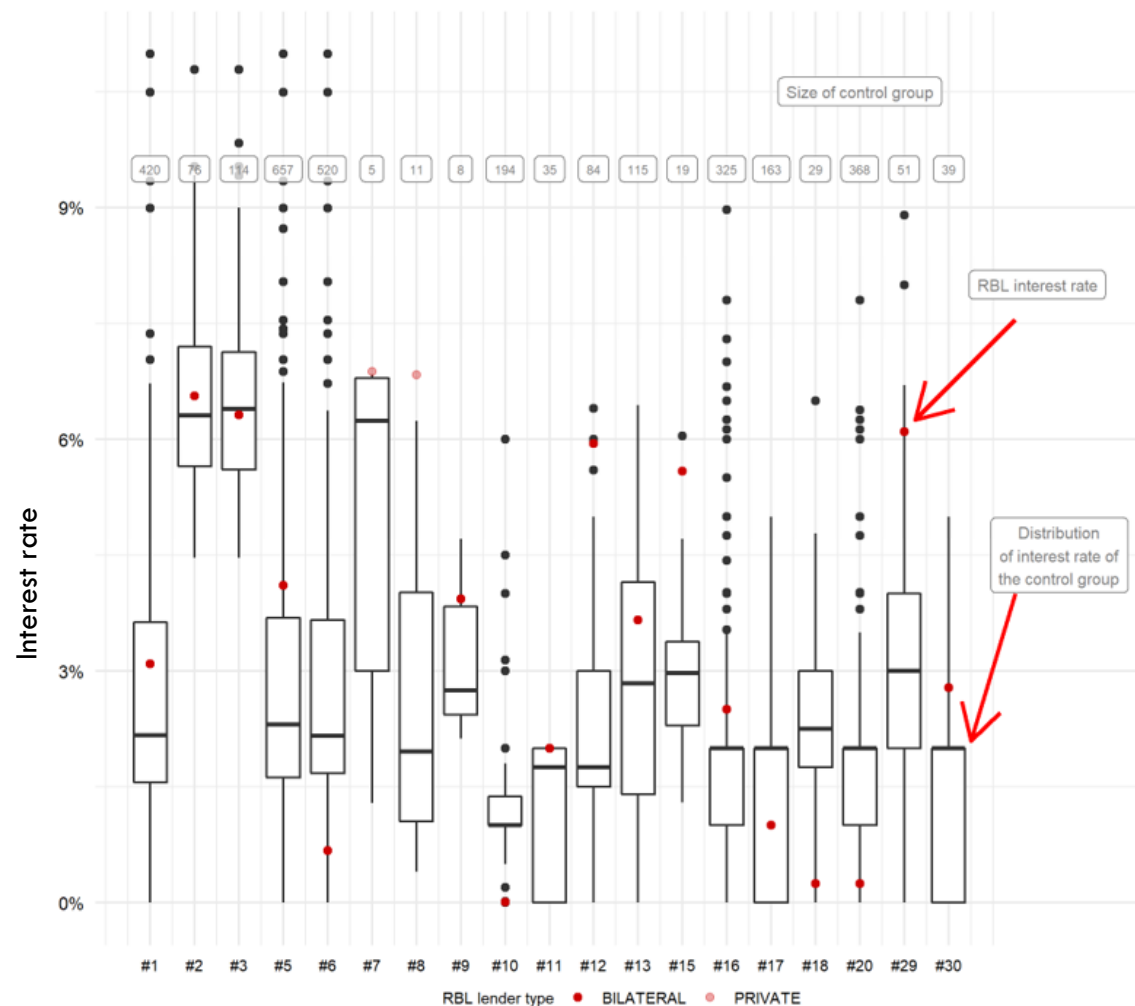
Debt transparency in RBL borrowing countries



# TERMS OF RBLs

- Limited data on RBL loan terms
  - Data collected from third party public sources such as AidData, SAIS-CARI.
- No evidence that RBLs are systematically cheaper
  - See graph comparing interest rate with other 'similar' regular loans.
- RBLs tend to have much larger loan amounts than regular loans
- Possible source of debt problems, as observed in multiple instances.
- Offers (often undisclosed) seniority or payment advantages to some lenders
- This could undermine the prospects for an orderly resolution.

Interest rate of RBLs vs other similar loans



Control group based on currency, floating vs fixed rate, debtor's DSA rating, maturity, LIBOR at time of agreement, CG vs other borrower.  
 Source: Mihalyi et al. (2022)

# RECOMMENDATIONS



# RECOMMENDATIONS (I)

## 1. Disclosure of details of collateralized transactions

- Amounts involved, assets and type of security.
- Many of key details often only become clear from loan document itself.
- Some collateralized loan contracts were published by [AidData](#) and [NRGI](#) as a result of laws and policies requiring contract disclosures.

## 2. Stricter analytical processes in the approval phase given the complexity and pitfalls associated with these deals

- Impact on debt sustainability;
- Offered terms account fairly for the value of the security given
- Legal and technical analysis of the proposed structure
- How collateral might impact other financing in the context of the country's debt management strategy

# RECOMMENDATIONS (II)

## 3. Improve debt reporting systems

- Keep tally of collateralized borrowing volumes.



## 4. Provide technical assistance, share knowledge, build capacity

- Better equip borrowers in negotiations with lenders
- Conformity with other requirements (negative pledge clause, borrowing limits, etc).

ANGOLA

IMF Country Report No. 22/11

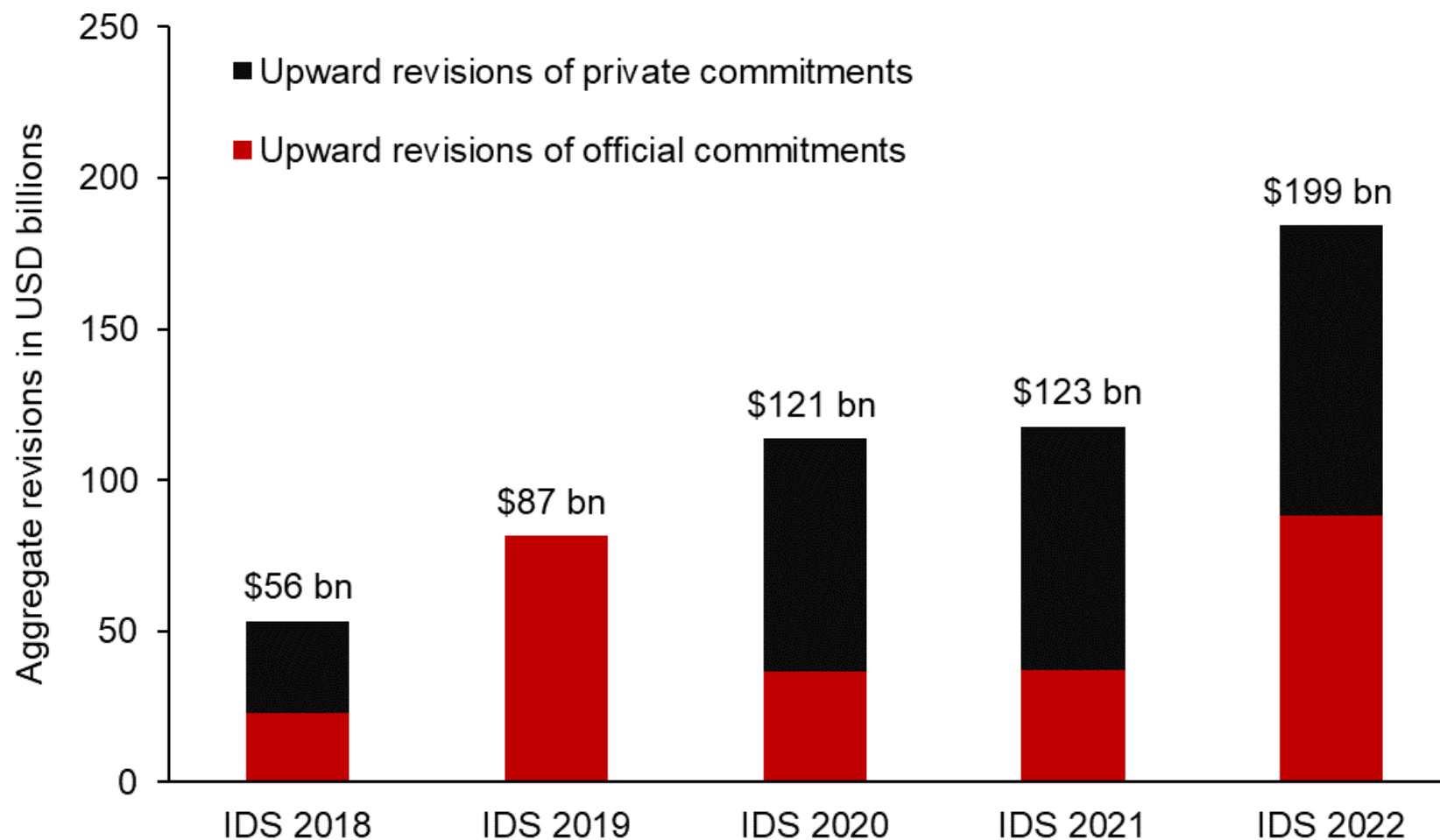
|   | Debt Stock (end of period) |                      |               |
|---|----------------------------|----------------------|---------------|
|   | 2020                       |                      |               |
|   | (In US\$ million)          | (Percent total debt) | (Percent GDP) |
| <b>Total</b>  | 69434.5                    | 100.0                | 134.7         |
| <b>External</b>   | 51558.7                    | 74.3                 | 100.0         |
| <b>Memo items:</b>                                      |                            |                      |               |
| Collateralized debt <sup>4</sup>                        | 18565.9                    | 26.7                 | 36.0          |
| o/w: Related  | 0.0                        | 0.0                  | 0.0           |
| o/w: Unrelated  | 18565.9                    | 26.7                 | 36.0          |
| Contingent liabilities                                  | 662.5                      |                      | 1.3           |
| o/w: Public guarantees                                  | 662.5                      |                      | 1.3           |
| o/w: Other explicit contingent liabilities <sup>5</sup> | 0                          |                      | 0.0           |
| Nominal GDP   | 58506.7                    |                      |               |

THANK YOU

# DIRECT REPORTING: WB'S HEATMAP

| Data accessibility   | 1. Public Debt Statistics  |  |   |              |              | 2. Public Debt Management                             |   | 3. Other debt statistics / contingent liabilities (CLs)                                      |
|--|--|--|---|--------------|--------------|---|---|--|
|  | Completeness   |  |   | Timeliness   |              | Debt Management Strategy (DMS)                        | Annual Borrowing Plan (ABP)   |  |
|  | Instrument coverage  | Sectoral coverage  | Information on recently contracted external loans                 | Periodicity  | Time lag     |   |   |  |
| No publicly available / incomplete / outdated debt reports | N.A. or incomplete coverage  | N.A. or incomplete CG  | N.A.  | N.A.         | N.A.         | No DMS published                                      | No ABP published / ABP partial and with delay > 3 months                          | N.A. or incomplete reporting of explicit CLs   |
| Multiple websites  | Limited coverage: external or domestic debt only                         | Limited coverage : complete CG   | Limited information: lender name and/or purposes of the borrowing | > 1 year     | > = 6 months | Published without targets                             | Partial: only for domestic or external debt or full coverage with delay > 3 month | Limited reporting: guaranteed debt by beneficiary (if applicable)                            |
| Single website & multiple docs                             | Partial coverage: external and domestic debt (if applicable)             | Partial coverage: complete general government (GG) or complete public corporations | Partial information: lender name and amount; no financial terms   | Annual basis | < 6 months   | Published with targets for total debt                 | Full coverage within 3 month from the fiscal/calendar year start                  | Partial reporting: audited/recognized fiscal arrears and collateralized debt (if applicable) |
| Single document  | Full coverage: external and domestic debt and guarantees (if applicable) | Full coverage: GG and public corporations  | Full information: lender name, amount and financial terms         | < 1 year     | < = 3 months | Published with targets for domestic and external debt | Full coverage before the fiscal/calendar year start                               | Comprehensive reporting: publication of a CLs' framework                                     |

# UPWARD REVISIONS OF PAST DEBT COMMITMENT DATA



Horn, Sebastian, David Mihalyi, and Philipp Nickol. 2022. Hidden debt revelations.

<https://blogs.worldbank.org/developmenttalk/systematic-underreporting-public-debt-statistics-50-years-evidence-and-recent>