

## **Draft and embargoed**

### **Summary of financing gap statistics**

We have looked at the Debt Sustainability Assessments completed between August 2015 and December 2015 – 18 countries in total. These have been compared with the assessments from 2012/2013 to see how the financial picture for governments has changed on what was expected to happen.

#### **Debt service to revenue**

Mean (unweighted) average debt service to revenue payments have increased across the 18 countries. In 2013, the prediction was that on average 6.1% of government revenue would be spent on external debt payments in 2016, and 6% in 2017.

The prediction now is that 10.8% and 9.7% will be spent on average respectively.

These are mean average increases of 78% and 61%.

Of the 18 countries, only two are now predicted to have smaller debt payments compared to government revenue than was predicted in 2013: Dominica and Senegal. One, Cambodia, has lower payments in 2016, but higher in 2017. The rest all have increases in both years.

#### **Fall in government revenue**

Across the 18 countries, government revenue is now expected to be \$19.5 billion less in 2016 than predicted back in 2013, and \$17.3 billion less in 2017.

This is partly because governments are collecting less in tax, as a proportion of GDP, than initially predicted by the IMF and World Bank. As a mean unweighted average, only 18.5%-18.8% of GDP is expected to be collected as revenue in 2016-2017, rather than a predicted 20.2%-20.3% predicted in 2013. Five countries have increases in revenue to GDP ratios on what was predicted, the other 13 have falls. (Those with increases are Cambodia, Dominica, Ethiopia, Papua New Guinea and Senegal).

The rest of the fall is because of exchange rate changes – devaluations against the dollar – mean that the tax is worth less in dollars, and economies growing less than predicted.

#### **Increase in debt payments**

Devaluation causes the relative size of debt payments to increase, because taxes are collected primarily in local currency, but debts are paid in foreign currencies. The fall in government revenue in dollars is therefore a main reason why the relative size of debt payments is higher than predicted a few years ago.

In addition, actual debt payments in dollars are higher than predicted. In 2016, across the 18 countries total debt payments will be \$10.8 billion, rather than \$7.3 billion predicted three years ago. In 2017 the increase is from \$8.4 billion to \$11.1 billion.

#### **Funding gap**

Therefore, across the 18 countries, there is a deterioration of \$23 billion in 2016 and \$20 billion in 2017.

#### **Estimating for all low income countries**

In mean average terms, government revenue in \$ across the 18 countries has fallen by 20.1% in 2016 and 17.8% in 2017.

In mean average terms, debt service in \$ across the 18 countries has increased by 74.4% in 2016 and 45.3% in 2017.

We used these averages to estimate what government revenue in \$ and debt payments in \$ will be for all the 33 other countries with Debt Sustainability Assessments conducted in 2012 or 2013. This estimated that across these 33 countries:

- In 2016 government revenue will be \$34.1 billion less than previously predicted, and external debt service \$3.9 billion higher
- In 2017 government revenue will be \$30.5 billion less than previously predicted, and external debt service \$2.5 billion higher

### **Aid**

According to the OECD, in 2014 (the latest year with figures available) for the 18 countries \$27.7 billion of aid was given as aid. For the 51 countries it was \$48.2 billion.

### **Countries**

The 18 countries with Debt Sustainability Assessments since August 2015 are:

Afghanistan  
Bangladesh  
Cambodia  
Cameroon  
Central African Republic  
Democratic Republic of Congo  
Republic of Congo  
Dominica  
Ethiopia  
Ghana  
Kenya  
Madagascar  
Mozambique  
Myanmar  
Papua New Guinea  
Senegal  
Sierra Leone  
Uganda

The 33 other countries with Debt Sustainability Assessments in 2012/2013 are:

Benin  
Bolivia  
Burkina Faso  
Burundi  
Comoros  
Cote d'Ivoire  
Djibouti  
The Gambia  
Guinea  
Guinea-Bissau  
Haiti

Kiribati  
Kyrgyz Republic  
Laos  
Lesotho  
Malawi  
Mali  
Mauritania  
Moldovia  
Mongolia  
Nepal  
Nicaragua  
Niger  
Nigeria  
Rwanda  
Samoa  
Sao Tome and Principe  
Solomon Islands  
Tanzania  
Timor Leste  
Tonga  
Vanuatu  
Zambia