Africa's Continuing Sovereign Debt Crisis: What Can Trade Unions Do?

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A/2024.04/01/002

ISBN: 978 –9988–9371–7–1 (electronic version)

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Executive Summary

Since independence, African countries have struggled to manage their public debt sustainably. Many of the reasons for this are related to the structure of their economies, historical factors, and governance. The Heavily Indebted Poor Country Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI) were introduced in the late 1990s. They were the first comprehensive attempts to restore these nations to debt sustainability. Although these initiatives were initially successful in achieving their primary objective of debt reduction, they did not address the underlying causes of the problem. Consequently, nearly all African countries have returned to or are on the path back to where they were before HIPC and MDRI.

Recent global crises such as COVID-19 and the Russia-Ukraine conflict have exacerbated existing fiscal vulnerabilities and caused macroeconomic instability that has led many African countries to resort to the International Monetary Fund (IMF) to take advantage of the G20 Common Framework of debt treatment. This report observed that the excessive positive risk premium that African countries pay while accessing capital from the global financial system has resulted in a higher weighted average interest (11.6%) compared to others such as Germany (1.5%), the USA (3.1), Asia and Oceania (6.5%), Latin America and the Caribbean (7.7%). The high cost of using these borrowed funds has implications for productivity growth.

The report underscores three important implications of the rising public debt on the continent. First, the report notes the shifting of productive resources from critical sectors (spending on education, health, and social protection) of African countries to contain the public debt overhang through higher debt servicing costs. The high level of debt relative to the size of the economy was seen to be associated with reduced public investment in healthcare, education, and social protection at statistically significant levels. This has triggered liquidity challenges (difficulties in meeting their short-term financial obligations to creditors) for many countries (e.g., Ghana, Kenya, Zambia, Chad, Nigeria and Ethiopia) and solvency risks (sustained difficulties in principal debt repayments) for other countries (including Ghana, Zambia and Chad), which have necessitated both voluntary and IMF-mandated debt restructuring on the continent. The report also affirms the high proportion of expensive domestic debt contributing to the imposing public debt overhang; and that any effort to comprehensively restructure debt on the continent must respond to the rising, more expensive, short-dated domestic debt.

At any level, debt has both direct and indirect implications for the welfare of workers. For instance, external debt accumulation has been shown to be correlated with job losses, public sector employment and wage freezes,

and currency depreciation, which cuts real wages for all workers. It is therefore imperative for organised labour to act against public debt. The report recommends sequenced and integrated debt campaigns and advocacy in promoting the responsible use of debt on the African continent. This requires legal and institutional reforms to ensure debt works for sustainable development. The report recommends that ITUC-Africa collaborates and forges alliances with other like-minded organisations to champion reforms in the global financial system, including the dominance of the three rating agencies (S&P, Fitch, and Moody's control 95% of the market share) as well as offering alternatives to IMF-inspired austerity measures that disproportionately cuts expenditure on health, education, and social protection to enable African countries to meet their external debt obligations.

ITUC-Africa and its affiliate trade unions should endeavour to constantly monitor the precursors to debt crisis such as rapid build-up of external debt so that they can act to prevent them from reaching crisis level. In sum, African governments must adopt progressive and efficient tax policies to ramp up domestic revenue. Additionally, greater transparency and disclosure should underpin African countries' debt management strategies.

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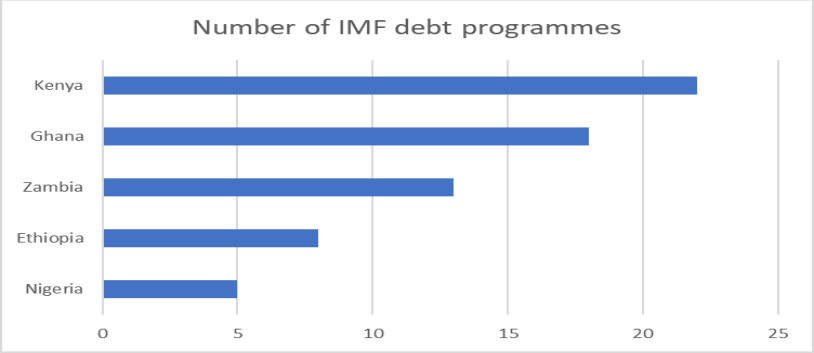
1 Introduction

1.1 Brief Background Imperative

As in many other economies, public debt has become an integral part of African public finance since the independence of most African countries. It has also been a significant source of macroeconomic instability, resulting in several International Monetary Fund (IMF) Supported Programs (for instance, Ghana 18 times, Kenya 22 times, Nigeria 5 times, Zambia 13 times, and Ethiopia 8 times - see figure 1). These numerous program engagements with the Bretton Woods Institutions (BWIs) has led to various debt restructuring episodes on the continent. The current debt crisis cuts across countries classified as either middle-income countries (Ghana, Kenya, Nigeria, Zambia) or low-income countries, including Ethiopia and country groupings including resource-rich/oil exporters (Nigeria), other resource-intensive countries (Ghana and Zambia), and non-resource-intensive countries (Ethiopia and Kenya). In recent years, the more comprehensive debt restructuring regime acceptable to the International Financial Community, including the Bretton Woods Institutions, started with the Heavily Indebted Poor Country Initiative (HIPC) in 1996. An enhanced version of the HIPC Initiative was launched in September 1999 after intense pressure from non-governmental organisations (NGOs) and civil society at large, academics, and debtor Governments, highlighting the inadequacies of the 1st HIPC Initiative (UNTAD, 2004). At the end of the interventions (HIPC, MDRI), the majority (30 out of 36) of the countries that reached the post-completion point were African countries, accounting for more than 50% of the recipients and a total debt relief of USD 99 billion. This brought the external debt-to-GNI ratio for the region from 119% to 45% (Brookings, 2019). In the case of Ghana, the debt-to-GDP ratio came down to less than 30%. That round of restructuring conferred additional fiscal space on African countries, which sparked a new wave of spending to inject growth through external debt financing.

Figure 1: Number of IMF Programs for selected African Countries



This graph shows the number of times selected countries in Africa have gone for an IMF program. For example, Ghana has been to the IMF 18 times, Kenya 22 times, Nigeria 5 times, Zambia 13 times, and Ethiopia 8 times.

However, a combination of spending inefficiency in the public investment process, corruption, lack of prudent debt management, and several external shocks, including the tightening of the global financing landscape, has resulted in another debt crisis, which began shortly before the COVID-19 pandemic and the Russia-Ukraine conflict. For instance, in 2017, six countries (Chad, Eritrea, Mozambique, Republic of Congo, South Sudan, and Zimbabwe) had been assessed to be in debt distress, whilst nine countries were at high risk of debt distress (IMF, 2018). In other words, these countries could no longer pay their debt sustainably. According to the Brookings Institute (2019), in 2017, 19 African countries had exceeded the 60% debt-to-GDP threshold set by the African Monetary Co-operation Program (AMCP) for developing economies, while 24 countries had surpassed the 55% debt-to-GDP ratio suggested by the International Monetary Fund in present value terms. In sum, on average, those countries owed more than $0.60/$0.55 for every dollar of domestic production in any given year.

Besides the rising debt post-HIPC/MDRI, the composition of the debt has changed, triggering debt affordability concerns and the crowding out rather than crowding in of the private sector touted as the engine of growth; limiting other priority spending in the areas of education, health, and social protection, as well as worsening poverty and inequality, and fuelling inflation with disproportionate adverse distributional effects on workers, the vulnerable, marginalised and socially excluded in society. At the recent 2023 Africa Climate Summit in Kenya, the President of Kenya lamented, “We don’t want to die in this continent, we don’t want to die of debt, and we don’t want to die of poverty, that is why we must have a conversation around multilateral development banks and concessional financing of our economies using resources that will not punish us”.

The cost of accessing capital by African countries far outweigh developed countries and emerging countries outside the continent. This is due to the high positive risk premium African countries pay relative to other continents’ typified rating agencies’ methodology and African countries’ lack of budget and policy predictability.

In the wake of an IMF-supported program, African countries grapple with an array of conditionalities that invariably cast a shadow over the well-being of their workforce. The stipulations of those programmes often recommend freezes on public sector employment, reductions in public sector wage bills, and tacit cuts to public spending. These austerity measures have a cascading effect, diminishing investments in critical sectors such as education, health, and social protection. Moreover, under the weight of an IMF program, public sector vacancies dwindle, and the prospect of real wage increments for public workers becomes increasingly elusive. The repercussions of such policies echo through society, with adverse implications for workers’ welfare and broader social well-being. Despite the paucity of comprehensive information on the precise toll of public debt on workers and social welfare, initial indicators

signal that elevated public debt jeopardises workers' livelihoods. Recognising the urgency of this issue, African Regional Organization of the International Trade Union Confederation (ITUC-Africa) is compelled to undertake an empirical assessment on the Africa's continuing debt crises. This report aims to unravel the intricate ways in which high public debt undermines the welfare of workers, forming a pivotal component of ITUC-Africa's broader campaign for debt sustainability across the continent. This report is a preliminary exploration, delving into the intricate dynamics of how debt impacts workers and social welfare in Africa, focusing on the pivotal realms of education, health, and employment.

1.2 Rationale

African countries have, by IMF-inspired austerity policies, responded to the debt dynamics through wage bill cuts or caps, reducing subsidies, pension and social security reforms, and rationalising and narrow-targeting of social assistance/safety nets (ITU, 2022). Many other interventions with a negative knock-on effect on workers, including tax hikes, must be analysed from a trade union perspective to enrich the discussion of debt sustainability. Already debt-induced containment measures have resulted in dwarfed growth for 2022 and a reduced growth outlook for 2023 and 2024. The empirical literature has been dominated by traditional debt channels narrated by interest groups, including governments and other non-state actors. Although trade unions and workers bear the brunt of the public debt overhang, the trade union perspective has been largely unaccounted for. Trade unions across the continent have a very powerful voice that can be harnessed to shape and promote responsible debt use and contribute to reforming the global and African financial systems.

In this light, through this report, ITUC-Africa intends to engage with appropriate parties through an evidence-based approach to the African debt discussion by conducting country and context-specific analysis of the most vulnerable countries (defined as being in debt distress, including Ghana, Zambia, Chad, Ethiopia, Nigeria, Kenya, etc.). This will help appreciate the disproportionate adverse distributional effect of the public debt overhang on workers regarding labour devaluation and limiting economic opportunities for employment generation, especially in the formal wage economy.

1.3 Why Trade Unions Should Care About Public Debt

ITUC-Africa and its affiliate trade unions must be interested in the trajectory of public debt in individual African countries and on the continent as a whole for a number of reasons. Firstly, recent examples have shown increased public debt raises the risks of economic crisis. In fact, there is overwhelming evidence that shows that 38 out of 43 countries that were studied experienced an economic crisis following an increase of debt to GDP by more than 30% over a period of 5 years (UNCTAD, 2015). van Dijk, van Dalen and Hyde (2020) found that when there is an economic crisis, unemployment rises for people of all ages. However, this is more pronounced for younger workers and women. The study further finds that labour force participation of women is rising, which could be an indication of spillover effects for household finances. Thus, during periods of economic crisis, workers bear the brunt of the consequences such as rising unemployment, increase in job insecurity, wage freezes or cuts, reduced working hours and increase in household debt (Liotti, 2020; Baines & Cunningham, 2020). Therefore, trade unions should care about public debt because it directly affects the well-being of workers.

Finance and economic theory suggest that debt is not bad in itself but rather debt application or usage is the critical matter to examine. It is expected that coalitions and trade unions wield the power to influence the use of debt to ensure proper repayment of debt (Blanton, Blanton & Peksen, 2015). Secondly, to forestall the recurrence of a debt-induced economic crisis that adversely affect workers, trade unions and their partners need to understand the dynamics of debt build-ups. This way, they can play a role in identifying and addressing a potential crisis early, and advocate for the protection of workers' rights in the build-up to a crisis and associated policy measures (such as debt restructuring and financial sector deregulation) that hurt the interest of workers. The proactive involvement of trade unions and their partners is crucial in creating a counterbalance to the interests of finance and multinational corporations, ensuring that workers are not left to bear the consequences of economic downturns alone (or not at all).

1.4 Objectives of the Project

The primary objectives of this research initiative are as follows:

a. To describe the patterns of public debt accumulation in African countries, including the sources (domestic and foreign) and utilisation of these funds.

b. To examine the implications of rising public debt on workers, specifically focusing on the labour market, employment, and wages.

c. To assess the impact of public debt on inflation and the distinction between real and nominal wages.

d. To evaluate the trade-offs between high-interest payments on public debt and investments in critical sectors such as health, education, and social protection.

e. To highlight the gender dimension of the impact of the rising debt on the continent.

2 Macroeconomic Stability and Debt

2.1 Debt-induced Macroeconomic Instability

Africa has struggled to manage its debt because achieving sustainable fiscal consolidation has been constrained by a dwarfed revenue envelop and expenditure rigidities. Indeed, any corrupt country is also inefficient at collecting tax revenue and is very accommodating of inefficient public investment processes, and Africa is broadly a representative sample. Africa has been at the forefront of various debt restructuring episodes. Although public debt overhang has been around for years in many African countries, it was not until 1996 that the international financial community accepted the need for a comprehensive approach to the debt problems of the poorest low-income countries. For example, in the 1980s, 56% of Africa's total public and publicly guaranteed debt was official, and by 1995 the figure had increased to about 77% whilst corresponding ratios for multilateral debts were 14% (1980) and 27% (1995) (UNCTAD, 2004). For African countries suffocating under this colossal debt, economic salvation was found in the Heavily Indebted and Poor Country (HIPC) Initiative, the IMF, World Bank, and the African Development Fund (AfDB) led Multilateral Debt Relief Initiative (MDRI), which led to significant debt forgiveness.

The post-HIPC/MDRI debt is concerning because it is markedly higher than pre-global financial crisis levels, and again its composition is markedly different as access to the International Capital Market (ICM) has given rise to commercial debt (Eurobonds) and more expensive and usually short-dated instruments, whilst bilateral and multilateral debt is dwindling within the broader context of Official Development Assistance (ODA). Whilst public debt utilisation is growth-enabling, this is only up to a point. Still, public debt overhang, as many African countries are experiencing, has adverse distribution or negative effects on growth and job creation.

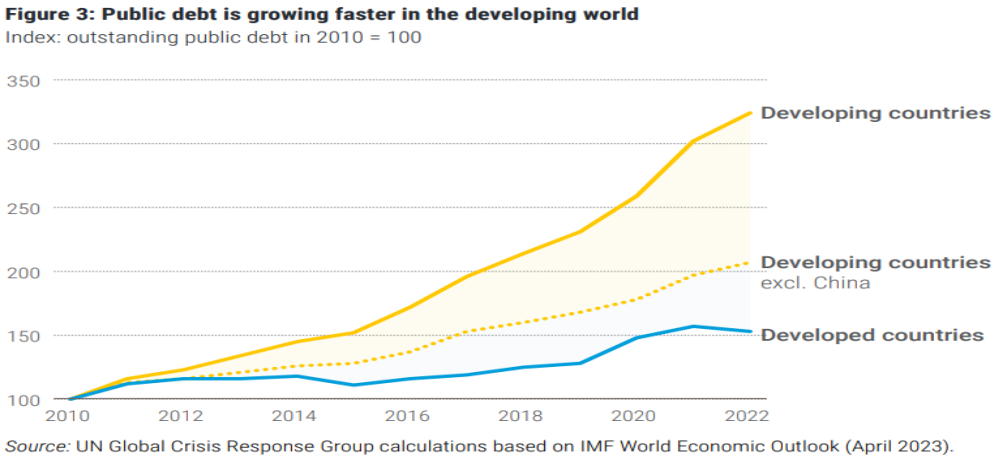
Empirical literature documents a non-linear relationship between public debt and growth, postulating the positive effect of debt to a certain point before the adverse impact of over-borrowing more than offsets the positive effect. Africa plays host to some of the world's highest unemployment rates, with South Africa as a record holder whilst being plagued with public debt overhang. The International Labour Organisation (2023) has asserted that more than 72 million youth in Africa are not in education, employment, or training (NEET) – the majority (two-thirds) of them being young women. Given that young women disproportionately shoulder household tasks like childcare, looking after the ill and elderly, cooking, fetching water and gathering firewood, they are limited from participating in the labour market and education. But this is the same continent with a relatively young population as 19 out of

the 20 world's youngest countries are all in Africa, with Niger having the world's youngest population in 2020, with a median age of just 15.2 years old (World Economic Forum, 2019). This implies that Africa needs fiscal space to engineer job-rich growth. More of Africa's youth will be entering the labour market, especially in the formal wage economy, but the growth the continent has witnessed has been insufficient, uneven, and largely jobless.

2.2 Rate of Debt Accumulation

Developing countries have ramped up more debt than advanced economies since the last major debt restructuring (HIPC/MDRI). The fiscal space that was conferred on developing countries (the majority in Africa) has been filled up quite quickly as can be seen from the figure 2. From the onset of 2010, developing countries have accumulated more public debt relative to developed countries.

Figure 2: Global public debt trajectory



The composition of the debt has also changed across external public (more commercial/private compared to external bilateral and multilateral debt). Since 2010, the rate of private debt has outpaced that of external bilateral and multilateral debt (see Figure 2). Specifically, private debt has increased and overshadowed external bilateral and multilateral components in Ghana, Nigeria, Zambia, Ethiopia, and Kenya (Figure 3)

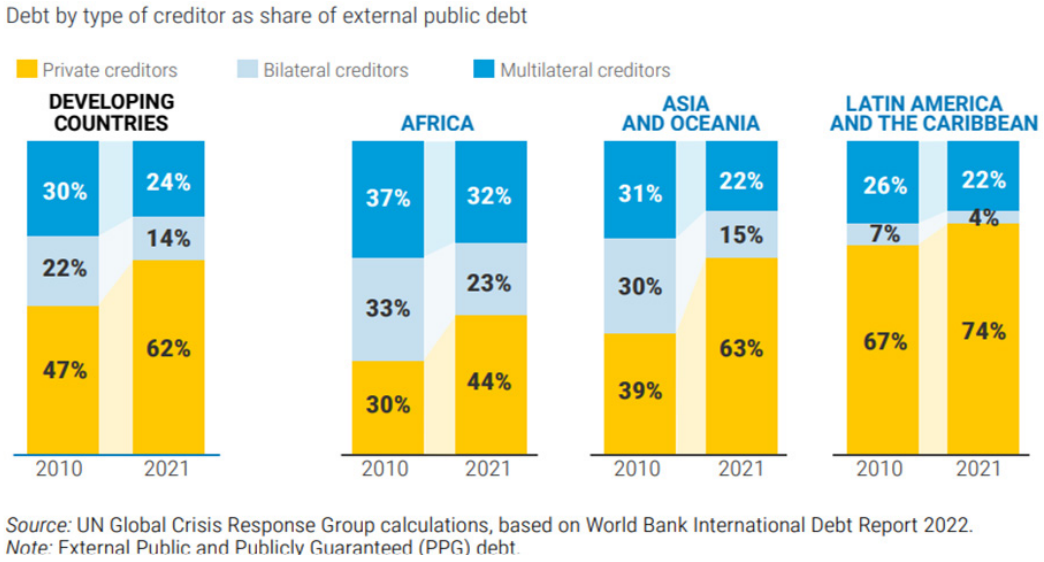
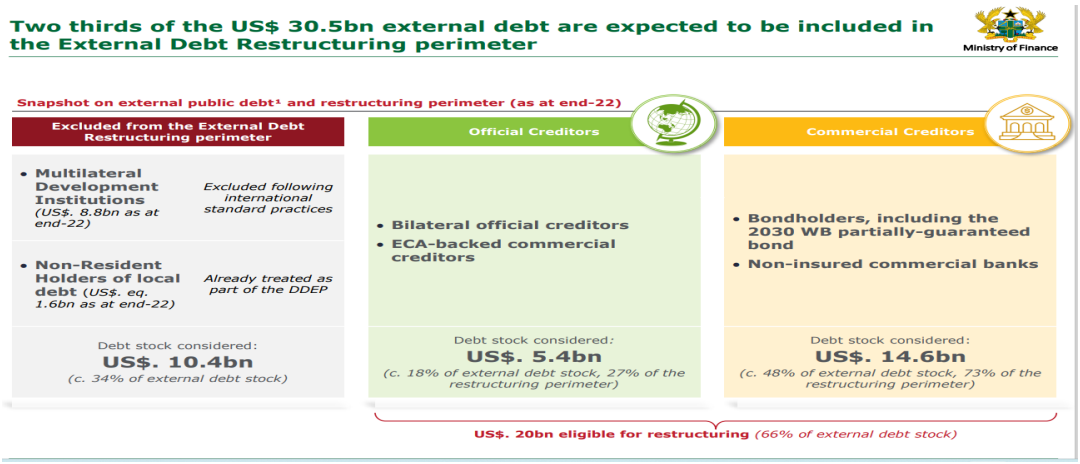


Figure 3: Developing country debt by type of creditors

2.2.1 Ghana

In the case of Ghana, out of the total external debt of USD 30.5 billion, as of the end of 2022, USD 8.8 billion (28.89%) relates to multilateral institutions, USD 5.4 billion (17.71%) relates to external bilateral countries, whilst external commercial debt stood at USD 14.6 billion (47.87), as depicted in Figure 4 from the Ministry of Finance of Ghana.

Figure 4: Ghana type of debt



Source: Ghana Ministry of Finance, 2023

2.2.2 Kenya

In the case of Kenya, the proactive approach to IMF in April 2021 for a 38-month US$2.34bn IMF-Supported Program helped to alter the external debt dynamics soon after COVID-19 as well as the aborted **USD 1bn Eurobond in mid-2022**. Until then, the commercial debt component has increased tenfold to US$10.4bn from 2013 to 2020 and was a leading contribution to the external debt build-up. However, post-COVID-19 debt dynamics (given the World Bank USD 1 billion COVID-19 relief) shifted to more concessionary financing from the IMF, World Bank, and African Development. This ensured that multilateral debt stood at USD 17.9 billion (47.36&), external bilateral stock at USD 9.8 billion (25.93%), and external commercial /Eurobonds stood at USD 10.1 billion (26.72%).

2.2.3 Zambia

Zambia was the first country in Africa to default on its external debt obligations with the onset of COVID-19. Its total public debt stood at USD 32.8 billion, with external debt constituting USD 18.6 billion, representing 57%. However, outstanding public and publicly guaranteed (PPG) external debt stood at $20.9 billion at the end of 2022, an increase of $930 million from a year earlier (IMF, 2023). It had built arrears, according to IMF (2023), with interest and principal arrears of $4.2 billion at end-2022 due to claims within the restructuring perimeter—$1.4 billion due to official bilateral creditors, $1.3 billion to Eurobond holders, $1.5 billion to other private external creditors, an additional $1.7 billion of arrears due to external suppliers (ZESCO, the power utility) external IPP arrears, and fuel and contractor arrears); and $2.3 million of interest and principal arrears to other IFIs.

2.2.4 Ethiopia

Total external debt stood at USD 27.31 billion, with external bilateral representing USD 7.7 billion (28.19), with China accounting for 30%, external multilateral stood at USD 14.2 billion (52%), and external private including Eurobonds amounting to USD 5.41 billion. Ethiopia has struggled to service its debt (interest and principal), and an initial estimate by the UNDP (2023), based on the preliminary data available, is that the country would need an estimated debt relief for 2023-2025 of USD 2.9 billion to bring down the TEDS to revenues ratio below the corresponding threshold. On the other hand, if we were to use the TEDS to export ratio, the required debt relief for the same period would reach an estimated USD 4 billion.

2.2.5 Nigeria

Nigeria's public debt to Gross Domestic Product (GDP), currently below 40%, typically should not spell solvency concerns to the extent that the Central Bank's financing of government activities is excluded under the Means and Ways Act. However, liquidity risk is the main challenge as debt service costs exceeded 100% by the end of 2022 imposing huge fiscal costs driven largely by the domestic debt accounting for more than 60% of the total public debt.

2.2.6 Chad

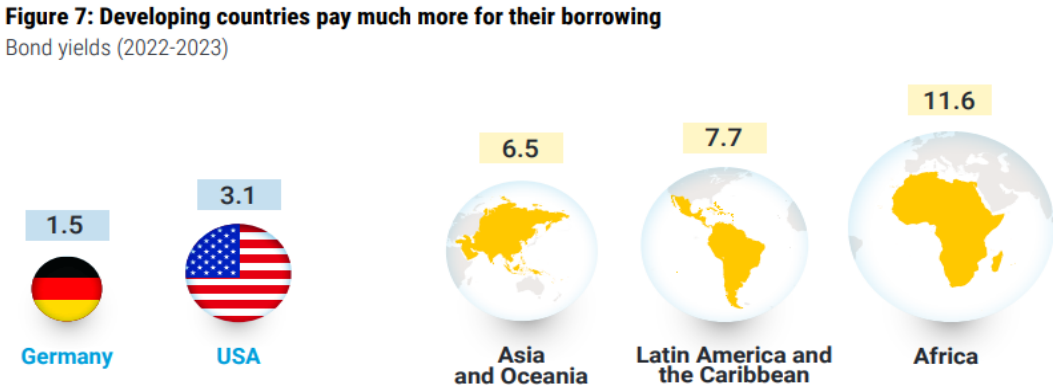
Chad's public debt and its fiscal costs had become unbearable, and it became the first country to reach an agreement with its official and private creditors under the G20 Common Framework. This debt-induced macroeconomic instability forced the country to reach out to the International Monetary Fund (IMF), which triggered the Debt Sustainability Analysis (DSA) jointly conducted by the IMF and the World Bank. The results of the DSA led to the application of the G20 Common Framework, for which the country was the first country to have benefited from the framework, although the debt treatment was largely a reprofiling with no express haircut as the major commercial lender, Glencore (a Swiss commodities trader), preferred reprofiling and tying relief to oil price dynamics. The debt composition of the country had more of a commercial component (36.7%), followed by multilateral (35.5%) and bilateral (27.8%). Chad is currently under an IMF-supported program just like Kenya and Ghana.

2.3 Cost of Accessing Credit

Post HIPC/MDRI debt composition has meant higher servicing costs and altering the public spending dynamics by shifting resources away from more productive spending (crowding out priority spending) to interest payments. The effect is a downward spiral heightening fiscal deficit in an unequal international financial landscape. The new composition (more commercial/ private relative to external bilateral and multilateral) implies more exposure to market risks and investor sentiments. The domestic debt component has been seen to be rising with associated interest costs, while domestic pricing has been seen to have higher risk. For some countries (Nigeria, Ethiopia, Kenya), solvency (debt to GDP ratio) was not an immediate concern. For Ethiopia, in 2022, the country made a total of USD 2.1 billion in external debt service payments, while spending on poverty-focused social spending was about USD 1.9 billion (UNDP, 2023). Africa has faced inadequate funding from the global capital market and, at the same time, paying excessively for

credit, as evidenced by Figure 5.

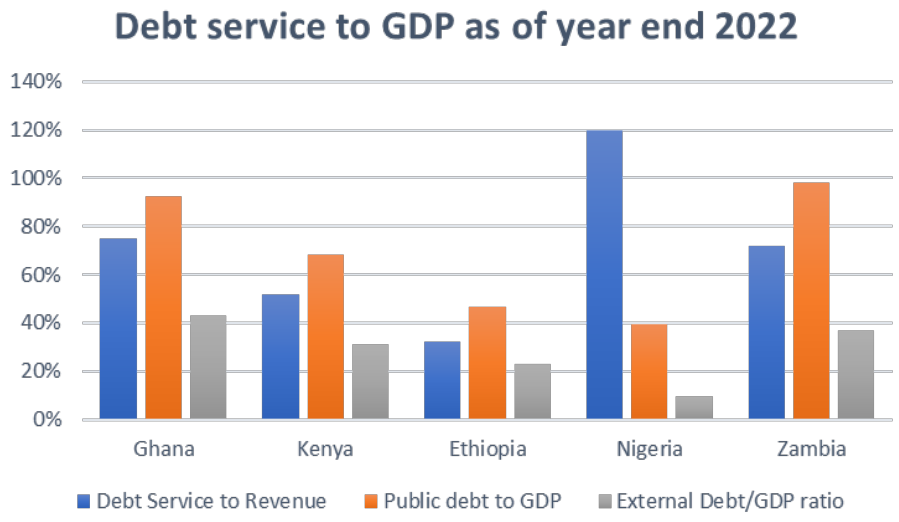
Figure 5: Global sovereign bond yield



Source: UN Global Crisis Response Group calculations based on IMF World Economic Outlook (April 2023).
Note: Illustrative comparison of the average JPM EMBI Global Diversified USD bond yields per region with the 10-year bond yields of Germany, and the United States from January 2022 to May 2023.

As can be observed from Figure 5, Africa's weighted average interest (11.6%) is almost eight times that of Germany (1.5%), four times that of the USA (3.1%), almost twice that of Asia and Oceania (6.5%) and 1.5 times that of Latin America and the Caribbean (7.7%). The higher interest cost, on average, has implications for productivity growth and inhibits inclusive economic transformation efforts. This is made worse given that some of these expensive debts are not invested in enhancing the cash-flow generation capacity of the economy but rather largely in funding consumption. The interest rate typically has implications for productivity growth, whether at a firm or sovereign level, and Africa seems to be caught up in this predicament. Figure 6 further highlights the implications of these higher interest rates on the debt service to revenue ratio, which leaves practically nothing for priority or growth-enhancing spending.

Figure 6: Debt service to revenue ratio for Ghana, Kenya, Ethiopia, and Nigeria as of the end of 2022



Source: Author's estimation using AfDB, IMF, and World Bank Data

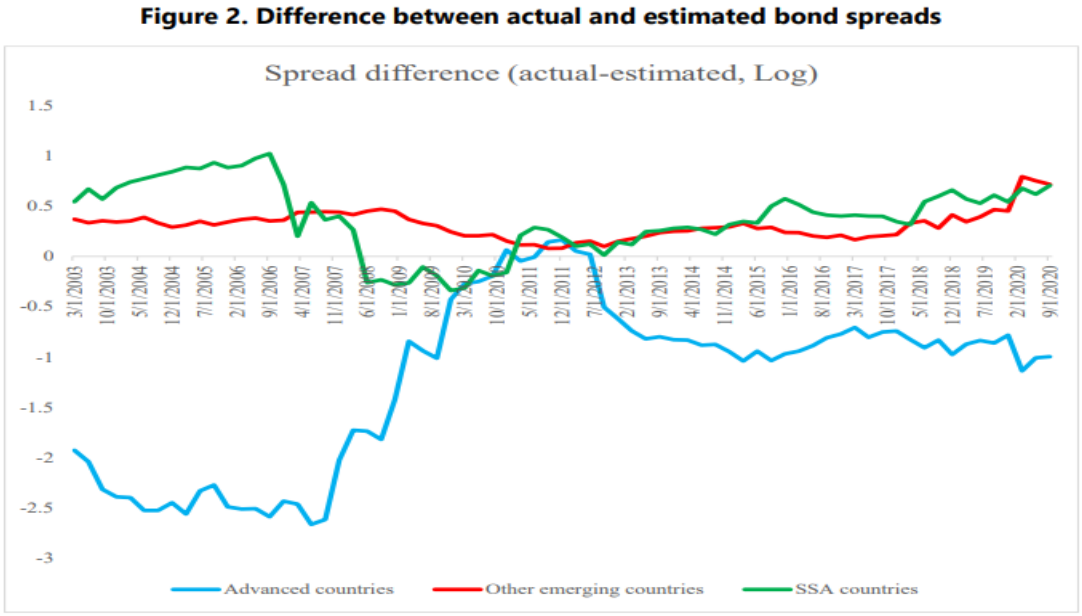
Over time, government revenues in these countries have trailed the pace of interest costs on their debt, implying these debts have not increased the cash flow generation capacity of these countries to offset the interest burden. Nigeria (9.4%) and Ethiopia have relatively low external exposure (external debt) in their public debt composition compared to Ghana with 43.2%, and Zambia, which only declined from 66.6% in 2020 to 53.9% in 2021 and 36.8% in 2022. Ghana's external debt to GDP declined marginally from 39.3% in 2020 to 38.1% in 2021 before inching up to 43.2% in 2022. The proportion of external debt to GDP highlights the dominance of domestic debt in the last couple of years, especially since the onset of the COVID-19 pandemic. In 2021, average debt servicing (on external and domestic debt) reached 38% of government revenue and 27.5% of government spending across low- and middle-income countries, according to Oxfam (2022); and, on average, this amount exceeded the total amount of anti-inequality spending in these countries and was twice their level of education spending, four times their health spending, and nearly 12 times their social protection spending.

2.4 The Biasedness of the Global Financial Architecture

Since 2006, when Seychelles accessed capital (Eurobonds) from the International Capital Market (ICM), 15 African countries have trooped to the ICM for much-needed funding amid low global interest rates. Since then, then have been a growing appetite for African securities given the higher yields it offers global investors at the back of increased global liquidity as a diversification strategy. UNDP (2023) has demonstrated that unlike the usual bias or procyclicality, mismatched sovereign debt ratings for African nations are primarily due to idiosyncrasies in the dominant approach of the Big Three credit rating agencies (S&P, Moody's, and Fitch).

The IMF (2023), whilst agreeing to a large extent with the UNDP report, also offered explanations for the divergence. The IMF report finds that SSA countries pay significantly higher coupons at issuance compared to their peers from other regions, and that SSA countries pay higher refinancing costs in the secondary market. However, the report highlights that in the presence of structural factors, such as the transparency of the budget process, the importance of the informal sector, the level of financial development, and the quality of public institutions, the excess premium estimated for SSA countries vanishes. African leaders have had the cause to complain about the excessive risk premium African countries have to pay for access capital from the ICM even at the UN level. IMF (2023) affirms that risk premium exists but is not unique to SSA even though it is higher in the case of SSA, as seen from Figure 7.

Figure 7: Difference between actual and estimated bond spreads



Using the difference between actual spread and estimated spread for SSA and non-SSA, they found there is a risk premium in both SSA and non-SSA emerging countries, contrary to the group of advanced countries where actual bond spreads are lower than estimated bond spreads. The existence of risk premium is thus not unique to SSA countries except that the risk premium is higher for SSA countries than in the rest of other emerging countries.

2.5 Rising Public Debt, Inflation and Exchange Rate Volatility

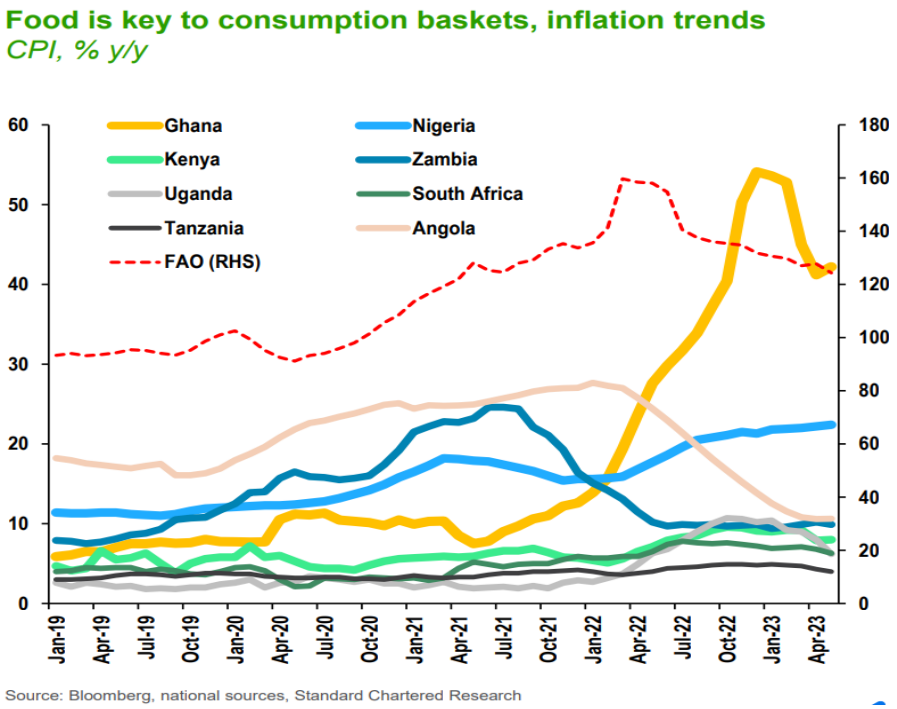
It is always difficult to deploy the monetary policy to effectively bring down inflation and maintain a stable exchange rate under rising public debt and weak fiscal regimes (low revenue and high expenditure rigidities), as witnessed in these debt macroeconomic instabilities. COVID-19 and the Russia-Ukraine conflict have had their fair share in pushing up food and energy prices globally, but differences and marginality exist across countries. With the onset of the debt debacle, inflation started broadening across food and non-food inflation among the debt-ridden countries on the continent.

Currently, the majority of the countries where inflation (IMF projections) is still in double digits including Ghana (42.2%), Ethiopia (29.1%), and Nigeria (25.1%), are experiencing debt overhang. Unlike Botswana, Cameroon, Côte d'Ivoire, Gabon, Guinea, Malawi, Rwanda and Togo who adopted less-orthodox measures, including administered prices and subsidies to address

the sudden swings in the cost of living (IMF, 2023), these debt-ridden countries could not cushion their citizens against the rising cost of living because of debt overhang, and in the case of Nigeria, fuel subsidy has been removed to create fiscal space.

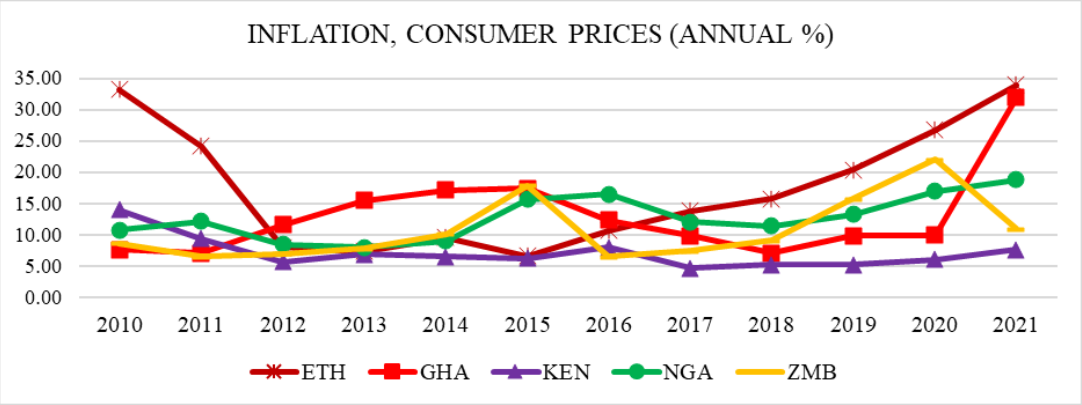
In the first eight months of 2022, the World Bank documented that Ghana's food inflation increased by 122% (the highest in Africa), with Nigeria at 106.5%, Kenya at 104%, and Zambia at 100.5%, constituting the other three in the top 10. With food constituting up to 44% of household expenditure, rising food inflation significantly exerts great pressure on the purchasing power of workers, especially those in the formal wage economy who have no means of adjusting their earnings and pensioners. Strikingly, part of the inflationary pressure is monetary policy-induced as Central banks across these countries resorted to monetising the fiscal deficit and the maturing governments' debt by injecting liquidity (monetary accommodating) into the system, thereby escalating the demand-related inflationary pressures. In the case of Ethiopia, a combination of imported inflation due to the conflict in Ukraine and financing of the fiscal deficit from the banking system through direct advances has created inflationary pressures, with year-on-year headline inflation standing at 33.9% in January 2023 (see also UNDP, 2023). For Ghana, the World Bank (2023) estimated that more than 850,000 Ghanaians had been pushed into poverty, joining the six million already in that category. Between January and December 2022, year-on-year inflation rose from 14% to 54%, reaching levels unseen since the early 2000s (World Bank, 2023). Figure 8 typifies the food dynamics among selected countries on the continent, including Ghana, Kenya, Zambia, and Nigeria.

Figure 8: Consumer baskets, food and inflation



Low inflation, especially food inflation, is a desirable macroeconomic outcome and a public good. Countries that have accommodated sizeable public debt resulting from weak fiscal regimes, corruption, crisis-induced fiscal profligacies, dwarfed productivity and GDP growth, as well as currency fluctuations, have struggled to maintain low inflation for a very long time. Figure 9 highlights the price (inflation) development for the selected countries.

Figure 9: Consumer price inflation



Source: Author's using World Bank World Development Indicators

Low inflation has eluded these countries for the larger part of the last two decades. The real implication of this price development is the dwarfing of the workers' real purchasing power in these countries as nominal wages have trailed inflation, resulting in negative real wage development whilst rendering minimum wage to nothing. In the same vein, debt-ridden countries struggle to maintain stable exchange rates. The currencies of these selected countries have experienced depreciation pressures as their public debts (especially external debt component) inch up. Since COVID-19 and the Russia-Ukraine conflict, the countries whose currencies have performed worst in the world, including Zambia and Ghana, have been stricken by rising public debts.

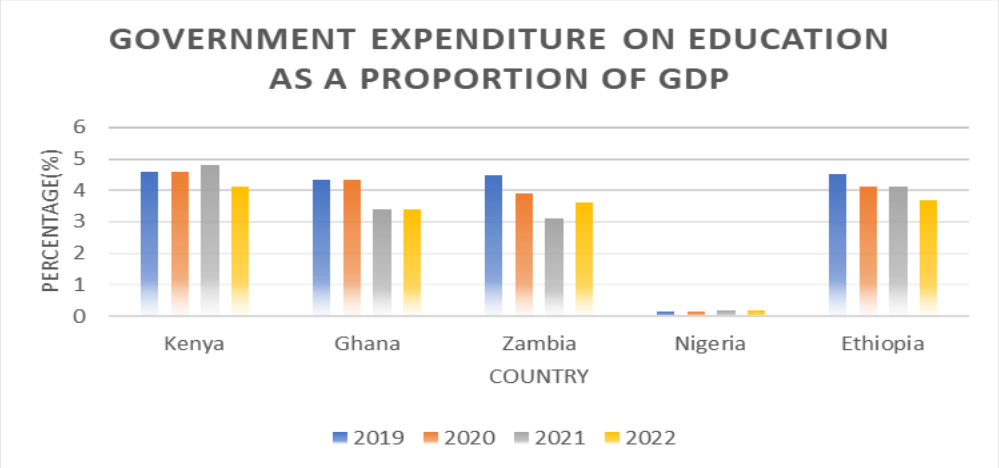
This puts pressure on local price development, including imported inflation (especially imported food inflation), given these countries are essentially net importers (Africa's net food import in 2015 was USD 35 billion and is projected to reach USD 110 billion by 2025. Ghana's currency was the worst-performing currency in the world, closely related to that of Nigeria. Debt-ridden African countries invest less in agriculture and far below the 10% ceiling in the Comprehensive African Agricultural Development Program (CAAPD) in the 2003 declaration. IMF-inspired austerity measures generally do not enable debt-ridden African countries to spend appropriately in critical areas as the International Institutions are only interested in creating fiscal space to enable countries to meet their debt commitments running into trillions of dollars.

2.6 Rising Public Debt and Welfare of Workers.

The rising public debt (external debt especially) and the containment measures, including austerity or fiscal consolidation with the support of the Britton Woods, have disproportionately affected workers by shifting productive resources from being spent on health, education, and social protection. The goal, as inspired by the IMF, is to enable these countries to pay off their debts by shifting resources from critical areas to meet financial obligations to creditors. In their desire to please creditors, less attention and resources are spent on critical areas that could ensure economic transformation and inclusive productivity growth. Nineteen of the region's 35 low-income countries are already in debt distress or facing a high risk of debt distress, according to the IMF (2023). What characterises these countries is the fiscal costs (debt service obligation) of carrying these debts, which also often pushes them to the IMF.

The resulting effect is that debt service spending has exceeded spending on education or health and, in some cases, exceeded spending on both health and education and ensured these countries spend far less than the UN recommended targets to attain the Sustainable Development Goals. The UN has recommended the following spending targets to meet the SDGs.

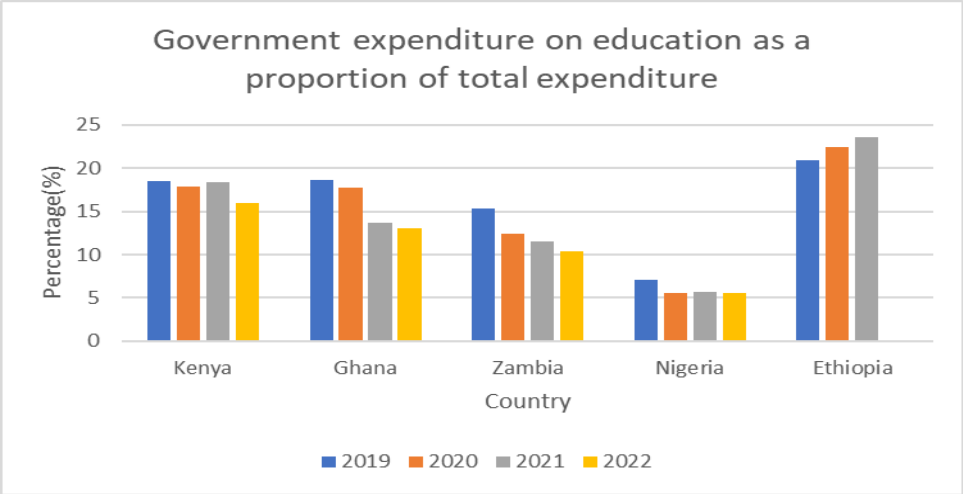
Figure 10: Government expenditure on education as a proportion of GDP



The UN recommended target is 4-6% of GDP

Source: Author's estimates using World Bank World Development Indicators Data

Figure 11: Government expenditure on education as a proportion of total expenditure



The UN recommended target is 15-20%.

Source: Author's estimates using World Bank World Development Indicators Data

On education, a spending threshold of between 4% and 6% of GDP indicates that Kenya has operated at the minimum, rising marginally to 4.8% in 2021 before dipping in 2022, perhaps reflecting the fiscal impact of the mounting debt and the associated interest servicing obligations (figure 10). Ghana could only meet the threshold in 2019 and 2020 at 4.35% of GDP before taking a nosedive to 3.4% in 2021 and 2022. Like Ghana, the crowding out effect of priority spending (spending on education) is evident in Zambia when it only met the minimum threshold in 2019 with 4.47% of GDP; and perhaps reflecting the public debt overhang, allocation to the education budget has declined to 3.9% and further to 3.10% before a marginal pick up to 3.6%. The situation is terrible for Nigeria as it consistently spends below the minimum of 4% of GDP, recording an average of less than 1% of GDP. With respect to spending on education as a proportion of total government expenditure, only Ethiopia has been trending above the UN-recommended threshold while Nigeria spends consistently below the minimum threshold of 15% (figure 11). Clearly, debt-ridden African countries risk not being able to meet the SDGs because of the debt-induced crowding-out effect. This situation is concerning for trade unions whose members bear the consequences.

2.7 Public Debt, Wages, Pensions and Unions

The relationship between public debt and wages has been a topic of considerable debate. Empirical studies suggest that high public debt levels can lead to lower wages over time. However, other researchers emphasise the importance of distinguishing between different types of public spending, arguing that the impact on wages depends on the composition of government expenditure. Similarly, the literature shows that public debt has implications

for pension systems, affecting both public and private pension schemes. For instance, Gale and Orszag (2003) and Bohn and Inman (1996) examine how changes in public debt levels influence the sustainability and adequacy of pension programs. They particularly emphasise the intergenerational equity aspect, as escalating public debt may raise concerns about the ability to meet pension obligations in the long term and leave workers in a precarious situation when they retire.

Most studies on the effect of public debt have focused on the formal sector because of limited data availability for the informal sector. Consequently, research on the informal sector's response to public debt is relatively sparse but emerging. However, higher public debt levels in developing economies may impact the informal sector through increased taxation and reduced government spending on social programs. Ahmed and Miller (2000) and Maliszewska and Graczyk (2018) provide insights into the complexities of this relationship, considering factors such as taxation, access to credit, and regulatory environments. For Africa, where large portions of the economy are informal, the effects of public debt on the informal sector tend to be indirect and mainly through the direct effects on the formal sector. For instance, increased taxation will directly affect the formal sector, whose revenues can be easily assessed. This will reduce investment in that sector, lower aggregate savings, and slow economic growth. Thus, the spillover effects of the benefit of economic growth, increased investment and higher savings for the informal sector will not be achieved. Moreover, taxation can influence both labour supply and demand, shaping the overall labour market dynamics by, for instance, (dis)incentivising labour supply (Giavazzi & Pagano, 1996; Barro, 1979).

The unionisation rate of labour may partly deflect these effects. Sectors with strong unionisation may experience wage pressures and negotiations influenced by government fiscal policies (Bassanini & Duval, 2009; Mishel & Bivens, 2011). In contrast, the effects on low-unionisation sectors are nuanced and reflected by the quality of local institutions and working conditions (Cardoso & Faustino, 2016). Meanwhile, the effects of public debt on skilled and unskilled labour are not the same, with skilled workers more likely to unionise. Aghion et al. (2012) and Faggio et al. (2010) reveal that the composition of public spending plays a crucial role in influencing the demand for skilled labour through education and training investments. However, the effects on unskilled labour may vary based on the structure of the economy and government policies. Disaggregated data will, therefore, be required to understand better the nuanced effect of public debt on different segments of the economy.

2.8 Debt Restructuring Progress So Far

The traditional Western financial system has well-developed debt resolution mechanisms for corporate and individual defaults. Similarly, African financial systems modelled on the West have relatively well-developed debt resolution mechanisms for corporate and individual defaults. However, complications exist when it comes to sovereign debt restructuring, including enforcement and legal jurisdictions. Currently, the only framework for restructuring external debt is the slow-paced G20 Common Framework, which succeeded the Debt Service Suspension Initiative (DSSI). Out of the 25 eligible African countries, only four - Cameroon, Côte d'Ivoire, Ethiopia, and Senegal applied for the DSSI. However, given the dominating role of domestic debt and the mounting fiscal costs, some African countries, including Ghana, Nigeria, and Kenya, have taken a voluntary approach to debt restructuring under various debt treatment arrangements.

Zambia, the first African country to have defaulted on its debt following the COVID-19 pandemic, has just completed restructuring its external debt following a lengthy negotiation. The snail-pace nature of the G20 Common Framework raised legitimate concerns about the workability of the framework as clear timelines were absent, and this was coupled with administrative bottlenecks. Ghana has completed restructuring its domestic debt, which contributed to more than 60% of the total interest costs. The completion of the domestic debt has created a fiscal space of GHS 61 billion (USD 5.1 billion).

3 Research Approach

3.1 Methodology

The study employs a two-fold approach in its methodology, combining descriptive analysis and Instrumental Variable (IV) Regression techniques to investigate the relationship between government debt and labour market outcomes and socioeconomic well-being in African countries. The use of these two methods allows for a comprehensive examination of the impact of government debt across different percentiles of economic growth while addressing potential endogeneity issues. The study also analysed the pass-through of the rising public debt and price development (inflation, exchange rate, interest rate), the relationship between nominal wages and real wages as well as minimum wage determination, and the crowding out of priority spending (spending on education, health, and social protection). The regression estimates use data from 52 African countries. Table 1 below describes the variables used in the analysis. The model is specified as follows:

$$Y_i = \beta_0 + \beta_1 X_i + \gamma Z_i + \varepsilon_i \quad \text{..... Eq 1}$$

Where:

$Y_i Y_i$ is the dependent variable (labour market outcomes and socio-economic well-being measures).

$X_i X_i$ is a vector of the independent variable of interest (government debt) and controls.

$Z_i Z_i$ is the instrumental variable correlated with government debt but uncorrelated with the error term.

$\beta_0, \beta_1, and\ \gamma \beta_0, \beta_1, and\ \gamma$ are the coefficients of interest.

$\varepsilon_i \varepsilon_i$ is the error term.

3.2 Data Sources

The study uses data from the following databases: World Development Indicators (WDI), IMF Fiscal Monitor, Government Spending Watch (GSW) (the only database that tracks government spending on meeting the SDGs), African Development Bank database, IMF Debt Sustainability Analysis of the various countries (Ghana, Zambia, Ethiopia, Kenya, and Nigeria), UNESCO and national statistical agencies of the respective African countries. Data gathered include data on government debt, macroeconomic outcomes, labour market outcomes, and social welfare indicators.

Table 1: Variable description

Variable	Description
hexpgdp	Current health expenditure as a percentage of GDP
lnhexppc	Current health expenditure per capita
lnpphexppc	Current health expenditure per capita in PPP dollars
domhexpp	Domestic general government health expenditure as a percentage of current health expenditure
domhexpgdp	Domestic general government health expenditure as a percentage of GDP
domhexppgov	Domestic general government health expenditure as a percentage of general government expenditure
lndomhexpgovpc	Domestic general government health expenditure per capita
lndomhexppc	Domestic general government health expenditure per capita in PPP dollars
privhexpp	Domestic private health expenditure as a percentage of total health expenditure
lnprivhexp	Private health expenditure per capita
lndomprivhexp	Private health expenditure per capita in PPP dollars
oophexpp	Out-of-pocket expenditure as a percentage of current health expenditure
debtgdp	Total debt of central government as a percentage of GDP
wrkerspaypexp	Compensation of employees consists of all payments in cash, as well as in kind (such as food and housing), to employees in return for services rendered and government contributions to social insurance schemes such as social security and pensions that provide employee benefits. This is measured as a percentage of total government expenses.
lnwrkpaylcu	Compensation of employees consists of all payments in cash, as well as in kind (such as food and housing), to employees in return for services rendered and government contributions to social insurance schemes such as social security and pensions that provide benefits to employees. This is measured in LCU.
lngdpperworker	GDP per person employed is gross domestic product (GDP) divided by total employment in the economy. Purchasing power parity (PPP) GDP is GDP converted to 2017 constant international dollars using PPP rates. An international dollar has the same purchasing power over GDP that a U.S. dollar has in the United States.
educspendgdp	General government expenditure on education (current, capital, and transfers) is expressed as a percentage of GDP. It includes expenditures funded by transfers from international sources to the government. General government usually refers to local, regional and central governments.
educspend1	General government expenditure on education (current, capital, and transfers) is a percentage of total general government expenditure on all sectors (including health, education, social services, etc.). It includes expenditures funded by transfers from international sources to the government. General government usually refers to local, regional and central governments.

inflation	Inflation, as measured by the consumer price index, reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly. The Laspeyres formula is generally used.
lcuexchrate	Official exchange rate refers to the exchange rate determined by national authorities or the rate determined in the legally sanctioned exchange market. It is calculated as an annual average based on monthly averages (local currency units relative to the U.S. dollar).
heunemploy	The percentage of the labour force with an advanced level of education who are unemployed. Advanced education comprises short-cycle tertiary education, a bachelor's degree or equivalent education level, a master's degree or equivalent education level, or a doctoral degree or equivalent education level, according to the International Standard Classification of Education 2011 (ISCED, 2011).
fheunemploy	The percentage of the female labour force with an advanced level of education who are unemployed. Advanced education comprises short-cycle tertiary education, a bachelor's degree or equivalent education level, a master's degree or equivalent education level, or a doctoral degree or equivalent education level, according to the International Standard Classification of Education (ISCED) 2011 (UNESCO, 2012).
mheunemploy	The percentage of the male labour force with an advanced level of education who are unemployed. Advanced education comprises short-cycle tertiary education, a bachelor's degree or equivalent education level, a master's degree or equivalent education level, or a doctoral degree or equivalent education level, according to the International Standard Classification of Education 2011- (UNESCO, 2012).

Table 1: Variable description

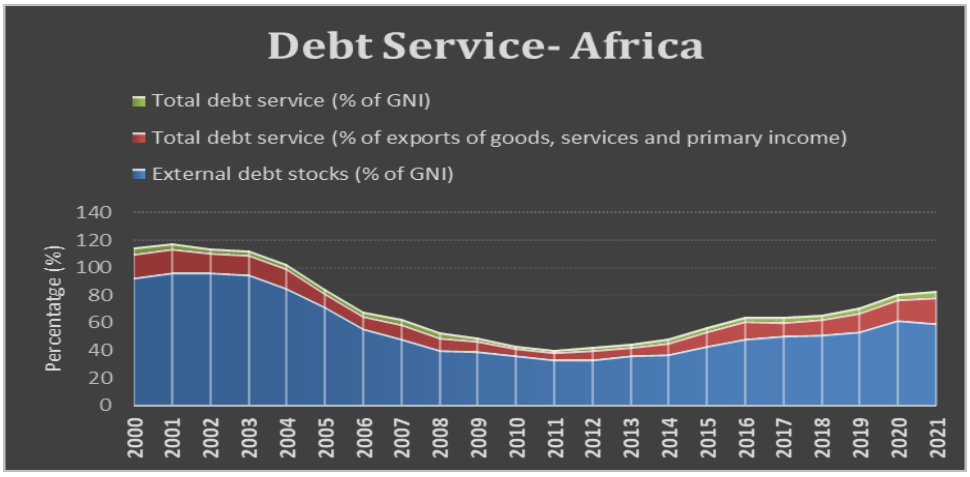
This table presents descriptions of the variables used in the analysis and how they are measured. Variables with the prefix **ln** have been transformed with the natural log.

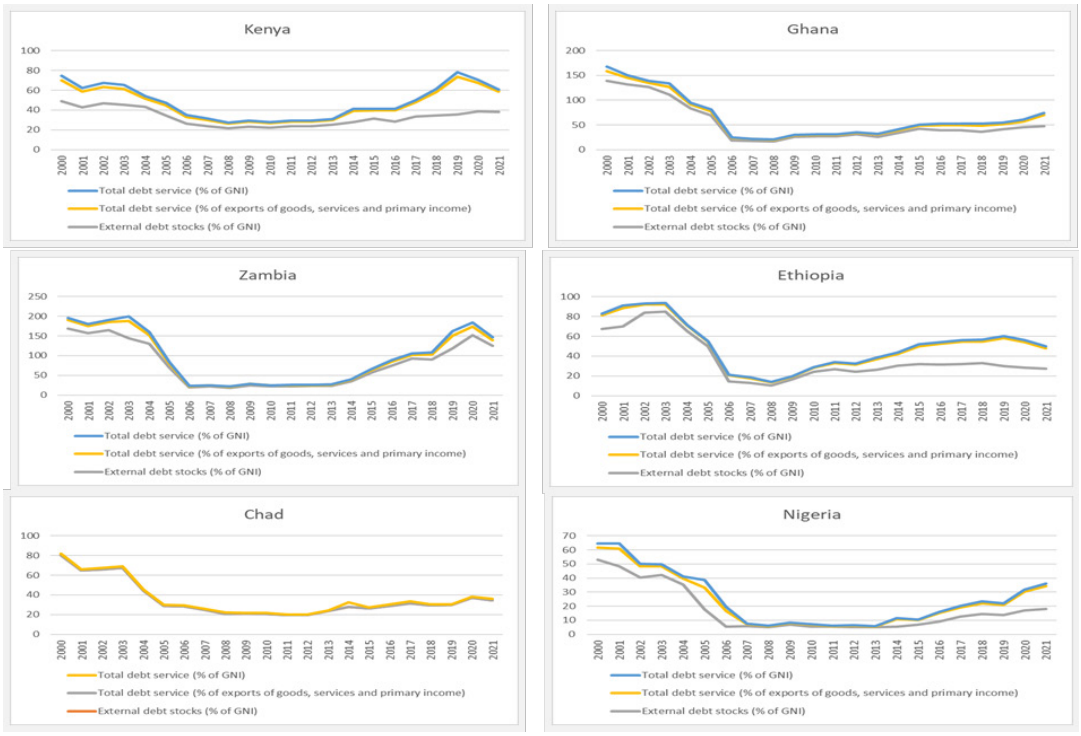
4 Empirical Results and Descriptive Analysis

4.1 Patterns of Public Debt Accumulation and Utilisation of these Funds

Data for debt covers 22 years, from 2000 to 2021. It covers 52 African countries but has gaps. In terms of External Debt Stocks as a percentage of Gross National Income (GNI), there is a general decline over the period for the continent. As of 2000, this stood at 93.1% but has decreased to 59.7% as of 2021. While this trend suggests that African countries, on average, have been reducing their reliance on external debt as a proportion of their economic output, there has been is U-shaped behaviour over the period, which indicates that it went down (up to 33%) but has begun an upward trend since 2011. In current US dollar terms, however, the external debt has increased year-on-year across the continent. We notice that in the early 2000s, there was a decrease in total debt service, but this can be attributed in part to the HIPC initiative that saw large portions of external debt written off. Shortly after the completion of HIPC, the trend reversed, and we see increases in external servicing. These trends, however, vary significantly for each country. While Chad's debt accumulation has followed a similar pattern to the continental average, the accumulation rate for Kenya and Nigeria has been much slower than Ghana and Zambia. Regarding debt servicing burden, Ghana, Zambia, and Kenya have seen an upward trend in the recent decade. Variations in the debt and debt service trends might be attributed to each country's economic and political conditions. However, following the completion of HIPIC, most countries' debt stock and debt servicing burden has seen significant increases. This could have been partly due to countries borrowing at commercial rates over the recent decade because of reduced access to concessional loans. Figure 12 shows the debt trends for Africa and for the spotlight countries.

Figure 12: Debt service trend



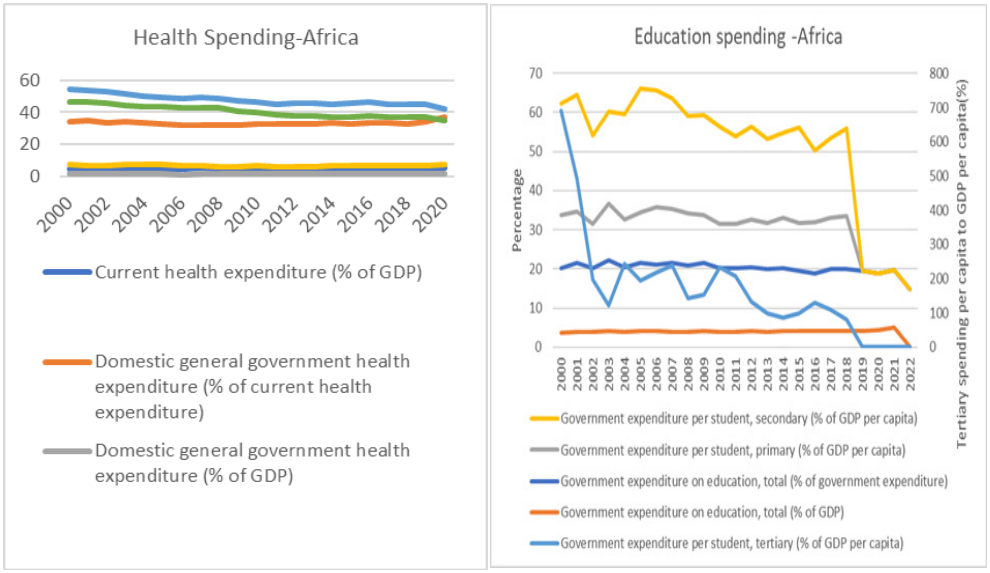


Source: Author's estimates using World Bank WDI data.

These charts show the trend of debt servicing and external debt stock as a percentage of the Gross National Income (GNI) for the focus countries and for Africa. Across all charts, before HIPC, all countries had very high debt-serving ratios. The HIPC initiative helped bring down these ratios drastically. However, after the completion of the HIPC initiative, most countries returned to their pre-HIPC borrowing habits and quickly accumulated more debt.

In terms of government spending on essential sectors, data is generally less accessible. We focus on education and health spending as a percentage of GDP and per capita (Figure 13). Aggregate government spending on education as a percentage of GDP has followed a slow but upward trend since 2000, rising from 3.8% to 5.1%. These are within the recommended range of 4%-6% of GDP by the Addis Ababa Agenda and the Incheon Declaration (World Economic Forum, 2015). The trend is, however, reversed for government spending on education as a percentage of total government spending, which has fallen from 18% in 2003 to 14.8% in 2022. Expenditure per student has largely remained stable over the 22-year period at about 12% of the GDP per capita for primary school but declined from 28.53% to 22.4% per capita GDP for secondary education and 69% to 80% for tertiary education. Overall, these trends show declining government spending on education over the period when debt stock and debt service burdens were rising. On a country-by-country basis for the spotlight countries, Ethiopia has maintained more than 4.5% of GDP spending in the last decade. Although Zambia is among the lowest education spenders in terms of percentage of GDP, its spending has been rising and now compares well with the general trend. Nigeria spends the least of its GDP on education, but the remainder of the spotlight countries follow a trend similar to the continental trends.

Figure 13: Health and education spending in Africa



Source: Author's estimate using World Bank WDI data

Government spending on healthcare as a percentage of GDP is a critical indicator of a nation's commitment to its citizens' well-being. Over the past two decades, this figure has followed a trajectory worth our attention. On a continental level, in the year 2000, health spending as a percentage of GDP stood at about 4.5%, and by 2020, it had risen to 5.3%. These figures are at the lower end of the recommended range of 5% to 10% of GDP as outlined by the World Health Organization (WHO) and about half of the global average (LSHTM, 2017; WHO, 2022). However, government spending was much lower, starting at 1.6% (USD24.3 in per capita dollars) in 2000 and increasing to 2.1% (USD60.13 in per capita dollars) in 2020. This represented 11.5% of total government spending in 2000 and 22% in 2020.

This upward trend signifies that governments are increasingly investing in healthcare, potentially improving the overall health of their populations but at a slower rate. Consequently, private spending on health has also risen over the period, although out-of-pocket expenditure has declined as a proportion of total health expenditure. For the spotlight countries, it's noteworthy that their health expenditure follows a similar trend to the continental averages in terms of the proportion of GDP spent on healthcare. However, in absolute terms, significant differences exist. The government in Chad has spent between USD4 and USD12 over the period compared to the continental average range of USD24 to USD60 over the period. Ethiopia had an even lower range of USD1.2 to USD8.1 over the period. Overall, the trend across all the spotlight countries shows that in addition to having a significantly lower mean dollar spending on healthcare and education, government spending on healthcare and education has consistently declined year-on-year despite growing government borrowing.

4.2 The Trade-Offs between High-Interest Payments on Public Debt and Investments in Critical Sectors: Health, Education, and Social Protection

The analysis revealed some significant relationships between "Debt-to-GDP" and various aspects of health expenditure (See Tables 2 to 4 for results). The negative coefficient of -0.09216 for "Health expenditure as a percentage of GDP" indicates that as a nation's debt-to-GDP ratio increases, the proportion of GDP allocated to health expenditure decreases. This finding suggests that high levels of debt relative to the size of the economy may be associated with reduced public investment in healthcare. Similarly, the coefficient of -1.79768 for "Per capita health expenditure" implies that an increase in the debt-to-GDP ratio is linked to lower per capita health expenditure. This negative relationship suggests that elevated debt burdens may reduce per capita healthcare spending by up to 1.79% for each percentage point increase in the debt-to-GDP ratio, potentially impacting the quality and accessibility of healthcare services. The coefficient of -3.01533 for "Per capita government health expenditure (current USD)" strengthens this argument, indicating that increased debt-to-GDP ratios are associated with diminished government expenditure on healthcare per capita by about 3% for each percentage point increase in debt-to-GDP ratio. This could adversely affect a nation's healthcare infrastructure, especially if it leads to underinvestment in critical health services and facilities. The variable "Per capita government health spending (in PPP dollars)" exhibits a negative coefficient of -2.13043, emphasising that the debt-to-GDP ratio negatively affects government spending on healthcare per capita in terms of purchasing power parity (PPP) by reducing it by up to 2.1% for each percentage point increase in debt-to-GDP ratio. This suggests that when countries have higher debt-to-GDP ratios, their healthcare spending power diminishes, which can reduce their ability to provide essential healthcare services to their citizens.

In addition to health expenditure, we also explored the impact of "Debt-to-GDP" on education expenditure. The coefficient of 0.27355 for "Government education spending to GDP to total expenditure" suggests a positive relationship, indicating that as a nation's debt-to-GDP ratio increases, the proportion of government spending allocated to education also increases by about 0.27% for each percentage point increase in debt-to-GDP ratio. However, the coefficient of -0.02668 for "Government education spending to GDP" is negative, indicating a reduction in government education spending as a proportion of GDP when the debt-to-GDP ratio rises. This discrepancy between the two education expenditure variables can be explained by either inflation or education spending rising at a slower rate than economic growth. If the latter holds, then it will underscore the speculation that education in many countries suffers budget cuts in real terms, even when faced with mounting debt pressures.

This analysis raises important questions about the trade-offs and policy considerations related to managing a nation's debt. The negative coefficients associated with health expenditure variables suggest that higher debt-to-GDP ratios may strain a nation's ability to allocate sufficient resources to its healthcare sector. This can have serious implications for public health, as reduced spending may lead to inadequate healthcare access, declining quality of care, and potential health crises. On the other hand, the impact on education expenditure is more complex. This may indicate that education is perceived as a critical investment even in times of fiscal stress, but the overall budget for education may not keep pace with the growth in GDP. These factors will put pressure on household budgets as they will need to finance or supplement health and education spending out of pocket. Given the adverse effects of public debt on workers discussed previously (such as job security and real-terms wage cuts), this finding also implies that higher debt accumulation worsens the precarity of the most vulnerable workers' welfare.

Table 2 : Debt stock, health and education

	(1)	(2)	(3)	(4)	(5)
Variables	hexpgdp	lnhexppc	lnppphexppc	domhexpp	domhexpgdp
debtgdp	-0.13240**	-2.57567**	-1.53654*	-0.64041**	-0.07685**
	(0.05648)	(1.05121)	(0.84847)	(0.25355)	(0.03237)
lnlcuexchrate	-0.00246	-0.01008	-0.01117	-0.02156**	-0.00242**
	(0.00196)	(0.03656)	(0.02951)	(0.00882)	(0.00113)
inflation	-0.08159	-1.89973*	-0.81274	-0.64107**	-0.07803**
	(0.06142)	(1.14310)	(0.92264)	(0.27572)	(0.03520)
lngdpperworker	0.01023***	.83614***	0.80282***	0.07317***	-0.00010
	(0.00387)	(0.07208)	(0.05818)	(0.01739)	(0.00222)
Constant	0.22234***	-2.10259**	-1.40079*	0.08978	0.06976**
	(0.05214)	(0.97051)	(0.78333)	(0.23409)	(0.02989)
Observations	117	117	117	117	117
Number of countries	17	17	17	17	17

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

These results emphasise the importance of carefully managing a nation's debt to ensure that it does not compromise essential public services, such as healthcare and education. Policymakers should consider these findings when making decisions about fiscal policy and resource allocation, with the ultimate goal of maintaining a balance between debt management and the well-being of a nation's citizens. Further research and policy analysis are warranted to explore these relationships in greater depth and develop strategies for addressing the challenges posed by high debt-to-GDP ratios.

We extend this analysis to examine the trade-off between debt servicing and health and education spending. The results are reported in Tables 5, 6 and 7. The negative coefficient of -0.36608 for "Health expenditure as a percentage of GDP" indicates a significant inverse relationship between debt service and public investment in healthcare. This finding suggests that as a nation's debt service obligation grows relative to its GNI, the proportion of GDP allocated to health expenditure decreases by about 0.36% for every percentage point of GDP spent on healthcare. Such a trend could have adverse effects on public health, potentially leading to inadequate healthcare access and a decline in the overall well-being of the population.

Table 3: Debt stock, health and education

	(1)	(2)	(3)	(4)	(5)
Variables	domhexp-pgov	lndomhexp-govpc	lndomh-exppc	privhexpp	lnprivhexp
debtgdp	-0.04150	-4.18689***	-3.14775**	1.38118***	1.88801*
	(0.04790)	(1.62094)	(1.42046)	(0.49828)	(0.99151)
lnlcuexchrate	-0.00295*	-0.07689	-0.07799	0.01161	0.03060
	(0.00167)	(0.05638)	(0.04940)	(0.01733)	(0.03448)
inflation	-0.01628	-3.61484**	-2.52785	-0.07872	-2.17445**
	(0.05209)	(1.76262)	(1.54462)	(0.54183)	(1.07818)
lngdpper-worker	0.01248***	1.03460***	1.00128***	0.09974***	1.17403***
	(0.00328)	(0.11114)	(0.09740)	(0.03417)	(0.06798)
Constant	-0.00906	-3.97531***	-3.27351**	-1.17579**	-8.36736***
	(0.04423)	(1.49650)	(1.31141)	(0.46003)	(0.91539)
Observations	117	117	117	117	117
Number of Countries	17	17	17	17	17

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

The coefficient for "Per capita government health expenditure (current USD)" reinforces this negative relationship, suggesting that higher debt service obligations are associated with a decrease in government spending on healthcare per capita. This could reduce the quality and accessibility of healthcare services, particularly for those who rely heavily on public healthcare systems. Interestingly, the coefficient for "Per capita government health spending (in PPP dollars)" is close to zero (0.04240), indicating that debt service as a percentage of GNI does not significantly impact government health spending per capita when adjusted for purchasing power parity. This nuance highlights the importance of considering the real purchasing power of healthcare expenditures in understanding the true impact of debt service on the health sector. The coefficient for "Out-of-pocket expenditure as a percentage of current health expenditure" further supports the notion of an increased

reliance on private funding for healthcare. As debt service obligations rise, individuals tend to bear a larger burden of healthcare costs (about 2.7% for every per cent of GNI spent on public debt servicing), potentially leading to financial strain for households and disparities in healthcare access (van Dijk, van Dalen & Hyde, 2020). This can be a result of high debt servicing putting constraints on the government's ability to fund public health.

Table 4: Debt stock, health and education

	(1)	(2)	(3)	(4)
Variables	lndomprivh-exp	oophexpp	educspendgdp	educspend1
debtgdp	2.92715***	1.04329**	-0.05524	0.36521**
	(1.13266)	(0.43413)	(0.03997)	(0.17472)
lnlcuexchrate	0.02950	0.00940	-0.00533***	-0.01141**
	(0.03939)	(0.01510)	(0.00116)	(0.00506)
inflation	-1.08745	-0.51052	-0.05388	0.03065
	(1.23167)	(0.47208)	(0.03978)	(0.17382)
lngdpperworker	1.14071***	0.04641	-0.00445*	-0.00650
	(0.07766)	(0.02977)	(0.00239)	(0.01046)
Constant	-7.66556***	-0.58624	0.13898***	0.12841
	(1.04571)	(0.40080)	(0.03184)	(0.13915)
Observations	117	117	100	99
Number of Countries	17	17	17	17

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

The positive coefficient for "Private health expenditure per capita" suggests that as debt service obligations increase relative to GNI, there is an associated increase in private health expenditure per capita. This could indicate a shift towards private funding for health services, potentially leaving individuals with higher out-of-pocket expenses and exacerbating health inequalities.

Education expenditure, as indicated by the variables "General government expenditure on education as a percentage of GDP" and "General government expenditure on education expressed as a percentage of total general government expenditure", does not show a significant relationship with debt service as a percentage of GNI. The coefficients of -0.02581 and -0.05542, respectively, suggest that education spending remains relatively stable even as nations grapple with higher debt service obligations.

Table 5: Debt servicing, health and education

	(1)	(2)	(3)	(4)	(5)
Variables	hexpgdp	lnhexppc	lnppphexppc	domhexpp	domhexp-gdp
debt service	-0.36608***	-4.43902**	0.04240	-1.59924**	-0.15635***
	(0.13217)	(1.83711)	(1.19934)	(0.67469)	(0.05840)
lnlcuexchrate	-0.00475***	-0.05380***	-0.06113***	-0.01604***	-0.00217***
	(0.00086)	(0.01200)	(0.00783)	(0.00441)	(0.00038)
inflation	-0.00168	-0.17724*	-0.09345	0.00756	-0.00141
	(0.00662)	(0.09207)	(0.06010)	(0.03381)	(0.00293)
lngdpper-worker	-0.01032***	0.79394***	0.76491***	0.07140***	0.00122
	(0.00212)	(0.02946)	(0.01923)	(0.01082)	(0.00094)
Constant	0.19787***	-2.66183***	-1.79266***	-0.11919	0.02850**
	(0.02874)	(0.39952)	(0.26082)	(0.14673)	(0.01270)
Observations	847	847	847	847	847
Number of Countries	46	46	46	46	46

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 6: Debt servicing, health and education

	(1)	(2)	(3)	(4)	(5)
Variables	lndomhexp-govpc	privhexpp	lnprivhexp	lndom-privhexp	oophexpp
debtservice	-6.60139**	2.54975***	1.87439	6.35581**	2.73881***
	(2.83545)	(0.95003)	(1.85674)	(2.56539)	(1.03051)
lnlcuex-chrate	-0.10272***	0.02555***	0.01224	0.00491	0.02819***
	(0.01852)	(0.00620)	(0.01213)	(0.01675)	(0.00673)
inflation	-0.19580	-0.04496	-0.29110***	-0.20731	-0.05948
	(0.14210)	(0.04761)	(0.09305)	(0.12856)	(0.05164)
lngdpper-worker	1.03006***	0.05378***	0.94357***	0.91455***	0.03609**
	(0.04547)	(0.01524)	(0.02978)	(0.04114)	(0.01653)
Constant	-5.66939***	-0.34454*	-5.68859***	-4.81941***	-0.28184
	(0.61663)	(0.20660)	(0.40379)	(0.55790)	(0.22411)
Observa-tions	847	847	847	847	847
Number of Countries	46	46	46	46	46

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Implications for Workers

The negative coefficients associated with health expenditure variables reveal a troubling scenario for workers. As a nation's debt-to-GDP ratio increases, the proportion of GDP allocated to health expenditure decreases. For low-wage earners, this may translate into reduced access to quality healthcare services, creating barriers to wellness. The decline in per capita health expenditure, as highlighted by the analysis, signifies that each percentage point increase in the debt-to-GDP ratio could lead to a 1.79% reduction in healthcare spending per person. For workers grappling with lower incomes, this could mean compromised health outcomes and increased financial strain due to potential out-of-pocket expenses. The negative relationship between debt service obligations and government health expenditure per capita exacerbates the challenges. With a 3% decrease for each percentage point increase in the debt-to-GDP ratio, workers may find themselves in a healthcare system strained by underinvestment, limiting their access to vital healthcare.

While the analysis suggests a positive relationship between debt-to-GDP and the proportion of government spending allocated to education, the negative coefficient for government education spending as a percentage of GDP raises concerns. Workers, especially those with lower incomes, may face uncertainties about the stability and quality of public education. The potential reduction in real terms, indicated by the negative coefficient, implies that even with an increased proportion, the actual investment in education might not keep pace with economic growth and inflation. This situation could disproportionately affect low-wage earners, limiting opportunities for skill development and career advancement. Moreover, workers with school-age children face higher out-of-pocket costs of educating their children. Low-quality public education caused by low investments will lead to working parents sending their children to private schools.

The impact of debt service obligations on healthcare and education unveils a nuanced shift in dynamics. As debt service obligations rise, workers may experience a surge in private health expenditure. This shift towards private funding may lead to heightened out-of-pocket expenses for low-wage earners, exacerbating existing financial challenges (van Dijk, van Dalen & Hyde, 2020). Similarly, the stability of education spending in the face of debt service obligations may provide some relief. Still, the lack of a significant relationship raises questions about the long-term sustainability of public education for workers' households.

In navigating these challenges, policymakers must tread carefully. Striking a balance between fiscal responsibility and the well-being of the workforce is paramount. Strategies should be crafted to protect investments in healthcare and education, ensuring that workers, particularly those with lower incomes,

are not disproportionately burdened by the consequences of high national debt. As highlighted earlier, as government struggles to meet current spending obligations for critical sectors, pension payments by government are likely to take a hit and further worsen the plight of workers when they retire. As the analysis illuminates the intricate connections between debt levels and public services, the call to action is clear: prioritise the well-being of the workforce, ensuring that the burdens of economic challenges are shared equitably and that no one is left behind.

4.3 Results for Labour Market Outcomes

Results for the analysis of debt on inflation and labour market outcomes are presented in Table 7 and Table 8. In Table 7, the coefficient for the variable "Inflation" suggests a positive but marginal association between debt servicing and inflation, which implies that as debt servicing increases, inflation tends to show a slight upward trend, although this might not be due to the increasing debt service. This relationship between debt servicing and inflation is of particular interest. Inflation can be influenced by various factors, and the positive coefficient may suggest that servicing debt, potentially through mechanisms like interest payments, could contribute, albeit modestly, to inflationary pressures, especially for external debt repayment. A possible source of inflationary pressure is the depreciation of domestic currency triggered by using the countries' foreign exchange reserves to pay debt and the reliance of many African countries on imports. The analysis reveals compelling results concerning the impact of debt servicing on the total pay received by workers in the economy. The coefficient of 0.79907 for "Total pay received by workers (in cash and kind) in the economy (including social security payments)" indicates a significant positive relationship. This suggests that as debt servicing increases, there is a considerable rise in the total compensation received by workers. On average, employee compensation increases by 0.79% for every 1% increase in debt service in local currency terms. This means that debt servicing costs grow faster on average than employee income. However, this relative growth is smaller in real terms, considering exchange rate effects.

On the other hand, the coefficient for "Total pay received by workers (in cash and kind) in the economy (including social security payments) as a percentage of total expense" indicates a negative relationship. In this case, as debt servicing increases, there is a corresponding decrease in the share of expenses that goes to workers' compensation. Thus, debt servicing costs crowd out worker compensation by about 0.03% for every 1% increase in debt servicing costs to the government. Similar conclusions are reached when the debt-to-GDP ratio is examined (Table 7). It shows that debt-to-GDP does not have a significant effect on inflation, but the share of total expenses that go to workers is significantly reduced when the debt-to-GDP

increases. Our analysis of the impact of debt on unemployment found an impact mainly on those with higher education qualifications. The results are presented in Table 8. The coefficient for the variable "Percentage of labour force with higher education who are unemployed" signifies a strong positive relationship between debt service and unemployment among individuals with higher education qualifications. This finding raises crucial questions about the potential economic consequences of high levels of debt service on the employment prospects of the highly educated workforce. This finding is similar to findings by van Dijk, van Dalen and Hyde (2020) and Carneiro, Portugal and Varejão (2014) who found that jobs are destroyed, and unemployment tends to increase during an economic crisis such as those caused by high public debt. They also found that younger people and women were the most affected in any scenario of economic crisis such as those triggered by excessive borrowing. While the positive correlation between debt service and higher education unemployment is clear, it prompts further inquiry into the mechanisms driving this association.

Table 7: Debt stock, inflation and workers' compensation

	(1)	(2)	(3)
Variables	inflation	wrkerspaypexp	lnwrkpaylcu
debtgdp	-0.03516	-1.01490**	12.12956***
	(0.08963)	(0.44408)	(3.56324)
lnlcuexchrate	0.00425	-0.01669	0.84218***
	(0.00314)	(0.01433)	(0.12467)
lngdpperworker	-0.01633***	-0.02084	0.71931***
	(0.00593)	(0.02813)	(0.23562)
Constant	0.22020***	1.01449***	9.67368***
	(0.07682)	(0.38220)	(3.05405)
Observations	117	115	117
Number of Countries	17	17	17

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Further analysis will be useful to scrutinise whether increased debt service leads to economic conditions that disproportionately affect job opportunities for individuals with higher education, potentially due to constraints on public spending or shifts in the labour market. These effects, however, vary significantly for men and women. The analysis goes a step further by disaggregating the data based on gender. The coefficient for the "Percentage of female labour force with higher education who are unemployed" indicates a more pronounced positive relationship between debt service and unemployment among highly educated women (Table 9). Generally, high debt servicing is associated with about three times more unemployment for highly educated females than similarly educated males (Carneiro, Portugal & Varejão, 2014). Policymakers and advocates for gender equality should pay

particular attention to these disparities, considering targeted interventions to address the unique challenges highly educated women face in the labour market.

Table 8: Debt servicing and inflation and workers' compensation

	(1)	(2)	(3)
Variables	inflation	wrkerspayp-exp	lnwrkpaylcu
debtservice1	0.17392	-0.89819***	35.73967***
	(0.72616)	(0.23271)	(9.64521)
lnlcuexchrate	-0.01481***	-0.00210	1.13603***
	(0.00480)	(0.00303)	(0.10788)
lngdpperworker	-0.02321**	-0.00503	1.38725***
	(0.01179)	(0.00744)	(0.25617)
Constant	0.35236**	0.46531***	4.73597
	(0.16110)	(0.07914)	(3.03529)
Observations	847	405	413
Number of countries	46	35	35

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

The implications of these findings are multifaceted. High levels of debt service appear to be associated with increased unemployment among the highly educated labour force, with gender-specific nuances. Addressing this challenge requires a comprehensive approach encompassing fiscal policy, education reform, and gender-sensitive labour market interventions. Policymakers should assess the impact of debt service on public spending in education and explore strategies to mitigate potential negative effects on employment opportunities for the highly educated, and for the less skilled workforce. Additionally, efforts to reduce gender disparities in the labour market should be prioritised, considering targeted initiatives that address the unique challenges faced by highly educated women. This is crucial for achieving SDG5, which similarly has an indirect influence on other SDGs.

Table 9: Debt service and unemployment

	(1)	(2)	(3)
Variables	heunemploy	fheunemploy	mheunemploy
debtservice1	0.84348***	1.41943***	0.53364***
	(0.21930)	(0.35533)	(0.16462)
lnlcuexchrate	-0.00073	0.00034	0.00106

	(0.00330)	(0.00544)	(0.00248)
lngdpperworker	0.00972	0.00844	0.00544
	(0.00751)	(0.01254)	(0.00567)
Constant	-0.03052	-0.01192	0.00004
	(0.08302)	(0.14168)	(0.06292)
Observations	183	172	181
Number of countries	47	47	47

Table 9: Debt service and unemployment

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

4.4 Implications of Labour Market Results for Workers

The analysis reveals a marginally positive association between debt servicing and inflation. While the relationship is modest, it signals potential inflationary pressures, especially concerning external debt repayment mechanisms. For highly educated workers, the implications of this nuanced connection with inflation are critical, as it may impact the purchasing power of their earnings. The positive relationship between debt servicing and total compensation received by workers suggests that as debt servicing increases, there is a considerable rise in employee compensation. However, the real value of these increases is eroded by the depreciation of the local currency and rising inflation. The negative relationship with the share of expenses going to workers indicates a crowding-out effect of high debt servicing. For workers, especially those with low wages, this implies that while their overall compensation increases, they are poorer in real terms. Another implication of the crowding out of workers' compensation is that the government wage bill is lower as a percentage of total government spending. This leads to questioning whether this is due to less public sector employment (as is often required by IMF programs), that public service growth is trailing overall economic growth, or that public sector wage growth does not keep pace with inflation.

The analysis shows a strong positive relationship between debt service and unemployment among individuals with higher education qualifications. This raises significant concerns about the economic consequences of high levels of debt service on the employment prospects of the highly educated workforce. The data point to potential constraints on public spending and shifts in the labour market, leading to limited job availability and underemployment for the highly skilled workforce. Disaggregating the data by gender reveals a more pronounced impact on highly educated women. High debt servicing is associated with about three times more unemployment for highly educated

females than their male counterparts. Policymakers and advocates for gender equality should focus on targeted interventions to address the unique challenges highly educated women face in the labour market. This not only impacts workers but also hinders economic growth and development.

As African nations navigate the complex terrain of national debt and its implications for workers, it is essential to adopt a comprehensive approach. Policymakers must address the challenges faced by highly educated workers, especially women, and strive for inclusive policies that promote job creation, wage equality, and sustained economic growth. These can be addressed by education reforms and investments in education to align it with market demands, ensuring that highly educated workers possess skills relevant to the evolving job landscape. Gender-sensitive hiring policies should be implemented to aid more women in getting into and staying in employment relevant to their education. Some African countries (such as Ghana) currently have tax incentives for businesses that employ young graduates. Additional incentives can be introduced specifically to encourage businesses to employ young female graduates and retain experienced female workers.

5 Key Conclusions from the Analysis

The analysis presented in this report and the discussion leads to the following key conclusions:

1. When a country's debt gets higher compared to its economic output (GDP), it tends to allocate less money to healthcare. This not only affects the overall health budget but also hits individual spending on health. So, as the debt goes up, the money available for each person's healthcare and the government's spending on healthcare decreases. This isn't great news because it means less investment in healthcare services and facilities, possibly making it harder for workers to get the healthcare they need. High debt not only affects how much a country spends on healthcare and education but also influences how it manages its debt payments. When debt payments increase, governments might spend less on healthcare for each worker or person. This can force individuals to cover more of their healthcare costs, leading to financial strain.

   Dealing with debt has a mixed impact on education spending. While more debt might mean more money for education, it also leads to a decrease in the percentage of the overall budget spent on education. This contradiction suggests that even though the country is taking on more debt, it might not be investing enough money into education. This could result in potential cuts in education funding when we account for real economic growth.

2. Dealing with debt does not just impact spending—it affects jobs, too. While it does not greatly impact prices (inflation), it does impact how much workers get paid. As debt payments increase, workers get more money. Still, the share of government expenses going to worker pay decreases, and the real value of income decreases as the local currency depreciates. Moreover, when a country is dealing with a lot of debt, it can lead to more unemployment, especially for those with higher education. Surprisingly, this unemployment issue is more pronounced for highly educated women compared to their male counterparts during high debt periods.

5.1 Practical and Implementable Recommendations

The results from the study provide the following two insights, among others. First, it has shown that although countries borrow a lot, the funds are not spent to improve essential social services. The study observed that spending on education, healthcare, and social protection was below levels observed outside the continent. This means the most vulnerable in the society are not being looked after. Besides, the collateral effects of debt on inflation and

unemployment affect the poor disproportionately. Second, domestic revenue mobilization is poor. For most countries, a large proportion of domestic government revenue is spent on debt servicing. This means that if there was no debt to begin with, those domestically generated resources would be spent to fund government programs. One implication is that if resources are mobilized more effectively in the domestic economy, there would be less need for borrowing and more to spend on what matters. In the rest of this section, recommendations are made on what could be done to improve the status quo.

5.2 Policy Recommendation

1. Strengthen Domestic Resource Mobilization and Prudent Debt Management

To address the rising debt burden, African countries must prioritize strengthening domestic resource mobilization. Governments should focus on enhancing revenue collection mechanisms, combatting corruption, and promoting efficient public investment processes. Currently, most governments in Africa tend to focus on increasing tax rates as a means to generate more revenue. Such taxes disproportionately target formal sector organisations and employees. Meanwhile, up to 60% of domestic economic activities occur in the informal sector. Broadening the tax base is necessary to rope more taxpayers and reduce the burden borne by the formal sector. However, governments are unlikely to be motivated to pursue this path for political expediency. Trade unions in the various African countries must demand greater formalisation of their country's economies. When such demands come from the unions, politicians are likely to take action because the trade union voice can be a powerful force in influencing electoral outcomes (Valentim, 2021). In addition to widening the tax base, formalisation will enhance the welfare of (currently) informal sector workers, many of whom are missing the benefits of belonging to a trade union. In this regard, advocacy by trade unions must emphasise the benefits that informal sectors will gain, such as protection/enforcement of worker rights. Stating such altruistic motives will potentially make the advocacy more successful.

Additionally, prudent debt management practices, such as transparent borrowing terms and rigorous project evaluation, can prevent the accumulation of unsustainable debt levels. There is a strong public perception of corruption in most African countries regarding public borrowing and contracting for public contracts. Unions can contribute their expertise in the scrutiny of these agreements and demand better terms and greater efficiency. More importantly, unions can contribute to prudent debt management by tracking the trajectory of public debt, and other policies, such as financial sector deregulation that have been shown to precede debt crisis, and seek to influence policy early on to forestall crises. Unions should also have a

seat at the debt negotiations table. Improving revenue mobilisation without increasing the burden of formal sector organisations and improving project outcomes will help create fiscal space for essential public services and mitigate the negative impact of debt service on spending on essential public services, health, and education. Needless to say, unions must increase scrutiny of spending on public services in general. Debts are unsustainable, mainly when the borrowed funds are not used efficiently.

2. Promote Inclusive Social Spending

Governments should prioritise inclusive social spending, especially in critical sectors like health and education. Despite the challenges posed by high debt service obligations, allocating a sufficient proportion of the budget to these sectors is crucial. As a starting point, spending on education, health and social protection should match internationally recommended levels. This includes maintaining or increasing spending on healthcare infrastructure, education programs, and social protection initiatives. Inclusive social spending not only contributes to the well-being of citizens but also fosters a healthier and more educated workforce, positively impacting labour market outcomes.

Trade unions must demand for the establishment of a mechanism that will allow meaningful collaborations between the government and unions on budgetary allocations for critical sectors of the economy. By getting involved, trade unions can provide valuable insights into the needs and priority of the labour force to the government to ensure that adequate funding is made available to the areas that will benefit workers and improve labour market outcomes.

Moreover, the members of trade unions are the implementers of government policy. Trade unions can further promote inclusive social spending by leveraging their intellectual capital to assess the effectiveness of government spending, thus contributing to evidence-based policymaking.

3. Implement Targeted Debt Relief Programs

The findings of this study imply that debt servicing and debt burdens are not sustainable for most African countries. It is time to remove these burdens and restore countries on the path of less debt. Considering the observed negative relationship between debt service and health and education spending, policymakers should explore targeted debt relief programs that channel the resources into these sectors so that the most vulnerable in the society are protected. These programs could involve negotiating with creditors for favourable terms, extending repayment periods, or even considering debt restructuring where necessary. ITUC-Africa must leverage its influence to lobby global lenders to reintroduce HIPC-style debt forgiveness and discuss more growth-oriented strategies for distressed economies. National unions

must advocate for or be involved in debt treatment negotiations to minimise the impact of any terms/conditions on the labour force. Employment freezes and wage cuts/freezes must be resisted by labour unions in any such negotiations. By alleviating the burden of debt service, countries can redirect resources towards essential services, mitigating the potential negative impact on socio-economic well-being.

The example of Chad's labour movement is worth highlighting. In 2014 the government of Chad accepted a commodity-backed loan facility from Glencoe to avoid going to the IMF, although the subsequent decline in oil prices forced them to do so. As part of the IMF conditionality, workers faced up to 40% salary cuts. The movement collaborated with the French labour movement and wrote petitions to the presidents of both France and Chad, which yielded positive results. The Chadian government pursued alternative paths that spared workers losses of their income. ITUC-Africa and its affiliates can replicate this strategy to increase the voice of workers in debt negotiations and prevent recurrence of further crisis.

4. Enhance Transparency and Public Accountability

Governments should prioritise transparency and public accountability in managing public finances. Providing accessible information on debt levels, utilisation, and the impact on social services allows citizens to participate actively in the decision-making process. Trade unions can play a crucial role in advocating for transparency and holding governments accountable for their fiscal decisions (Valentim, 2021). This approach will foster a more informed and engaged citizenry, contributing to the responsible management of public finances.

5. Gender-sensitive Labour Market Interventions

The results of the study in Tables 4, 5, and 6 show that workers are affected directly by excessive borrowing. In addition, women and those who are highly educated were the most affected. Recognising the gender disparities in the impact of debt service on unemployment, policymakers should implement gender-sensitive labour market interventions. The result of the study, as discussed in section 4.4, suggests that females are affected disproportionately by high debt; and it is well known that females generally have worse labour market outcomes (van Dijk, van Dalen & Hyde, 2020). While this is undesirable, it is the result of institutional failure to implement affirmative action policies. ITUC-Africa, therefore, must highlight the effect of public debt in worsening the plight of women as part of its campaigns, such as the gender pay gap campaign. It should also advocate for targeted initiatives to address the unique challenges faced by highly educated women in the workforce. Trade unions can further advocate for policies that promote gender equality, such as flexible working arrangements, making pay discrimination illegal and expensive, and initiatives to address workplace discrimination. By addressing these disparities, countries can harness the full potential of their

highly educated workforce and promote inclusive economic growth. Beyond the public sector, ITUC and its members (some of whom are in the private sector) should impress upon private employers to offer equal pay for equal work for both men and women. Finally, ITUC-Africa and its affiliates should demand that any conditionalities imposed by debt treatment programs (such as those by the IMF and World Bank) should include clauses that protect jobs held by women, such as by requiring increasing or preserving the proportion of women in public sector roles. These programs frequently include clauses that require employment freezes and public sector wage bill cuts. These hurt women disproportionately, but if they are necessary, they should be intentional in protecting women.

5.3 ITUC-Africa Advocacy Strategy of Engagement

ITUC-Africa must undertake its advocacy on debt sustainability through a multipronged campaign combined with strategic partnerships (for example, the Stop the Bleeding Campaign) and evidence-based communication. The main objectives of the advocacy will be to raise awareness, influence policies, and build coalitions. The following goals can be pursued by taking the actions below.

1. **Goal 1 (Awareness): Increase public awareness of the impact of sovereign debt on socio-economic well-being.**

The results of the analysis presented in this report has highlighted the adverse impact of public debt on social economic well-being. For example, in section 4.2, the report finds that on average, an increase in measures of indebtedness such as debt-to-GDP by one percentage point leads to a decrease in health expenditure by between 0.1 and 3 percentage points. Similarly, education decreases by about 0.27% for every percentage increase in debt. Public officials usually sell the positive side of debt but as the results show, there can be significant negative effects; hence, it is essential to create awareness of the other side of debt.

Action 1: Engage the multilateral financial institutions (IMF, World Bank) and Group of 20 Countries in reforming the Global Financial Architecture (GFA) by increasing the African voice in the governance and regulation of the GFA. This can be done using tools such as policy briefings to highlight empirical results that underscore the urgency of reform. Engage in digital media campaigns, social media activities, and community outreach to disseminate information on the debt crisis and its consequences. Data and photography can be combined to create accessible infographics to be shared on social media platforms.

Key message 1 (Debt Transparency): *Emphasize the need for transparent debt management practices to prevent the accumulation of unsustainable debt levels.*

2. **Goal 2 (Influence policy): Advocate for policy changes that prioritise sustainable debt management, inclusive social spending, and transparent governance.**

As shown in Tables 3a and 3b, high debt servicing deprives health and education of resources. On average, the extent of deprivation is up to 7% for every dollar spent on debt servicing. Because high debt burden is associated with higher debt servicing, advocacy must seek to ensure that countries take up debt that is sustainable to the extent that it does not take away from critical social spending. What is sustainable is likely to differ from country to country and so it is worthwhile to determine the optimal threshold for sustainability on a country level.

Action 2: Develop policy briefs and position papers and engage in targeted lobbying efforts with policymakers at national and international levels. Although ITUC-Africa has previously used similar tactics, these could be more effective if the various national- affiliates took this up and tailored it to suit local needs. This will recognise the fact that local dynamics vary from country to country. That way, the policy briefs and position papers will be contextualised and relatable.

Key message 2 (Inclusive Social Spending): *Advocate for prioritising spending of critical sectors (such health and education) and the wellbeing-of workers even in the face of high debt service obligations.*

3. **Goal 3 (Build Coalitions): Form strategic partnerships with like-minded organisations, trade unions, and civil society groups.**

Action 3: Host roundtable discussions, workshops, and conferences to foster collaboration and information-sharing among stakeholders. ITUC has used a similar approach previously in the Stop the Bleeding campaign by collaborating with five other organisations. This can be enhanced further by localising the campaign. Goal 3 can build on Goal 1 effectively in democratic countries if these campaigns are decentralised to national ITUC members. Until now, most advocacy has targeted policymakers. However, it is crucial to recognise that voters can be powerful allies. Develop a soft partnership by influencing their perspectives and making the negative impact of debt on workers an electoral issue. This can accelerate the pace of reforms as political leaders consider their electoral fortunes to be hinged on voter perception.

Key message 3 (Public Accountability): *Highlight the importance of public accountability in managing public finances and encourage governments to engage with citizens in decision-making processes.*

4. **Goal 4 (Gender-inclusive Advocacy): Address gender disparities in the impact of debt on unemployment and advocate for gender-sensitive policies.**

The results discussed in section 4.3 highlighted the adverse effects of debt on labour market outcomes, which shows that women were impacted more by public debt than men. It is therefore imperative that advocacy highlights the differences in effects for men and women. It is also important to emphasise the need to address inequality in labour market outcomes for highly educated women in the workplace.

Action 4: Implement targeted campaigns, conduct research on gender-specific challenges, and collaborate with women's rights organisations to amplify the gender dimension of the debt crisis. Recognise that it is unacceptable under any circumstance for women to be marginalised. As a starting point, advocacy should demand that positive discrimination should underpin hiring policies for public sector organisations. Legislation should be introduced to incentivise the hiring of highly qualified female job candidates. For instance, in Ghana and other parts of Africa, private organisations are given tax incentives for hiring young graduates. Similar incentives should be introduced for hiring females across the continent. Additionally, legislation can be passed to make it illegal or expensive to pay women less for equal work. For instance, a framework can be introduced to allow females to anonymously report gender pay discrimination and for organisations to be investigated and fined for breaches. Moreover, businesses can be required to report on gender pay equality as part of their annual report. TUC members in these organisations can champion these actions. Such policy actions have the potential to make organisations self-audit and address systemic issues.

Key message 4 (Gender Equality): *Stress the need for gender-sensitive policies and interventions to address the disproportionate impact of debt on highly educated women in the workforce.*

Advocacy campaigns should utilise social media platforms to amplify key messages, share success stories, and engage with a broader audience. It should also develop concise policy briefs to communicate evidence-based recommendations to policymakers, ensure accessibility and impact, and organise community events, town halls, and workshops to connect with citizens directly and mobilise grassroots support. As part of media engagement, ITUC-Africa should cultivate relationships with journalists and media outlets to secure coverage of the advocacy group's initiatives, ensuring a broader reach and forming alliances with influential figures, academics, and other advocacy groups to strengthen the collective voice and impact.

While these campaigns are ongoing, progress should be monitored and evaluated by tracking media coverage, social media engagement, policy changes, and public perception to evaluate the impact of advocacy efforts. Channels should be established to receive feedback from stakeholders, including the public, policymakers, and partner organizations, to refine and adjust strategies. There should also be periodic assessments to measure progress against campaign objectives and adjust tactics accordingly.

5.4 What Then Can Trade Unions Do?

It is trite knowledge that sovereign debt is a crucial component of a country's macroeconomic and financial policy framework and that how debt is managed considerably influences the soundness and solvency of the overall public sector balance sheet, and consequently financial sector stability. Beyond the macro-fiscal implications of rising public debt, the impact on trade unions is manifestly evident having analysed the data for the ongoing debt challenges. The adverse distributional effects disproportionately affect poor workers and puts pressure on trade union leaders to negotiate higher and adequate salaries when debt servicing obligations are crowding out rather than crowding in priority spending, limiting economic opportunities, and imposing restrictions on the growth drivers of the economy undermining the creation of decent jobs, especially in the formal wage economy. But trade unions can do something.

- Trade unions must hold governments more accountable for the utilisation of public debt than any other stakeholder.
- Trade unions must proffer evidenced-based policy alternatives to enrich public engagement on public debt management. Public debt management must no longer rest in the bosom of government given that implications of debt unsustainability is borne disproportionately by workers through subdued wages, higher inflation, limited economic opportunities and rising unemployment crowding out priority spending on education, health and social protection.
- Trade unions must strategically engage government (promote responsible debt use), multilateral institutions and the global financial government system on making debt work for the continent.

Specifically, trade unions can undertake the following:

- Engage the multilateral financial institutions (IMF, World Bank) and Group of 20 Countries in reforming the Global Financial Architecture (GFA) by increasing the African voice in the governance and regulation of the GFA;
- Form strategic partnerships with like-minded organizations, trade unions, and civil society groups whilst strengthening existing partnerships to engage in promoting responsible utilization of debt and especially in making debt work for sustainable development;
- Host roundtable discussions, workshops, and conferences to foster collaboration and information-sharing among stakeholders to build on existing success stories by the ITUC-Africa;

- Highlight the importance of public accountability in managing public finances and encourage governments to engage with citizens in decision-making processes; and
- Implement targeted campaigns, conduct research on gender-specific challenges, and collaborate with women's rights organisations to amplify the gender dimension of the debt crisis.

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ISBN: 978-9988-9371-7-1
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