

THE UNWANTED BILLIONS

Inaccurate credit ratings, stranded capital, and a blended-finance solution



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Two worlds, one finance gap

- US \$ 404.6 bn lost in 2022 from rating bias across 11 African economies
- ≈US \$ 75 bn idle private capital in OECD pensions the same year
- Redirecting 1/3 of losses → fully fund Africa's US \$ 45 bn irrigation need

Compromiso 4: SDG financing gap = US\$4 tn / yr para 4 & lower cost of capital for developing countries para 6

How far off are the ratings?

Country	Rating Before “Downgrade”	Rating After “Downgrade”	Notch Difference
Ethiopia	B	Caa2	3
Angola	B+	B3	2
Ghana	B	Caa2	3
Gabon	B+	Caa1	4
Kenya	BB-	B2	2
Mali	B-	Caa2	2
Mauritius	BBB	Baa3	1
Mozambique	B-	Caa2	2
South Africa	A+	Ba2	5
Nigeria	B+	B3	2
Morocco	BBB-	Ba1	1

Debt Servicing Cost Increase by Country

Country	GDP (bn USD)	Debt Ratio (%)	Public Debt (bn USD)	Downgrade (Notches)	Calculation	Extra Cost (bn USD)
Ethiopia	111.26	30	33.38	3	$3 \times 0.015 \times 33.38$	1.50
Angola	104.38	66	68.89	2	$2 \times 0.015 \times 68.89$	2.07
Ghana	72.35	88	63.67	3	$3 \times 0.015 \times 63.67$	2.87
Gabon	20.87	54	11.26	4	$4 \times 0.015 \times 11.26$	0.68
Kenya	110.35	67	73.93	2	$2 \times 0.015 \times 73.93$	2.22
Mali	19.91	56	11.15	2	$2 \times 0.015 \times 11.15$	0.33
Mauritius	13.74	87	11.95	1	$1 \times 0.015 \times 11.95$	0.18
Mozambique	16.10	98	15.78	2	$2 \times 0.015 \times 15.78$	0.47
South Africa	399.95	70	280.00	5	$5 \times 0.015 \times 280.00$	21.00
Nigeria	477.39	37	176.59	2	$2 \times 0.015 \times 176.59$	5.30
Morocco	142.87	69	98.76	1	$1 \times 0.015 \times 98.76$	1.48
Total	—	—	—	—	—	38.1 bn USD

Future Borrowing Cost Increase by Country

Country	GDP (bn USD)	Calculation	Extra Cost (bn USD)
Ethiopia	111.26	0.003×111.26	0.33
Angola	104.38	0.003×104.38	0.31
Ghana	72.35	0.003×72.35	0.22
Gabon	20.87	0.003×20.87	0.06
Kenya	110.35	0.003×110.35	0.33
Mali	19.91	0.003×19.91	0.06
Mauritius	13.74	0.003×13.74	0.04
Mozambique	16.10	0.003×16.10	0.05
South Africa	399.95	0.003×399.95	1.20
Nigeria	477.39	0.003×477.39	1.43
Morocco	142.87	0.003×142.87	0.43
Total	—	—	4.46 bn USD

Capital Outflow by Country

Country	GDP (bn USD)	Calculation	Capital Outflow (bn USD)
Ethiopia	111.26	0.04×111.26	4.45
Angola	104.38	0.04×104.38	4.18
Ghana	72.35	0.04×72.35	2.89
Gabon	20.87	0.04×20.87	0.83
Kenya	110.35	0.04×110.35	4.41
Mali	19.91	0.04×19.91	0.80
Mauritius	13.74	0.04×13.74	0.55
Mozambique	16.10	0.04×16.10	0.64
South Africa	399.95	0.04×399.95	16.00
Nigeria	477.39	0.04×477.39	19.10
Morocco	142.87	0.04×142.87	5.71
Total	—	—	59.56 bn USD

Import Cost Increase by Country

Country	Import % of GDP	GDP (bn USD)	Imports (bn USD)	5% Increase (bn USD)
Ethiopia	40%	111.26	44.50	2.23
Angola	50%	104.38	52.19	2.61
Ghana	40%	72.35	28.94	1.45
Gabon	50%	20.87	10.44	0.52
Kenya	50%	110.35	55.18	2.76
Mali	40%	19.91	7.96	0.40
Mauritius	60%	13.74	8.24	0.41
Mozambique	40%	16.10	6.44	0.32
South Africa	50%	399.95	200.00	10.00
Nigeria	30%	477.39	143.22	7.16
Morocco	40%	142.87	57.15	2.86
Total	—	—	—	30.72 bn USD

Asset Depreciation by Country

Country	GDP (bn USD)	Calculation ($0.15 \times \text{GDP}$)	Asset Depreciation (bn USD)
Ethiopia	111.26	0.15×111.26	16.69
Angola	104.38	0.15×104.38	15.66
Ghana	72.35	0.15×72.35	10.85
Gabon	20.87	0.15×20.87	3.13
Kenya	110.35	0.15×110.35	16.55
Mali	19.91	0.15×19.91	2.99
Mauritius	13.74	0.15×13.74	2.06
Mozambique	16.10	0.15×16.10	2.42
South Africa	399.95	0.15×399.95	60.00
Nigeria	477.39	0.15×477.39	71.61
Morocco	142.87	0.15×142.87	21.43
Total	—	—	223.39 bn USD

Insurance Premium Increase by Country

Country	GDP (bn USD)	Calculation ($0.0225 \times \text{GDP}$)	Extra Cost (bn USD)
Ethiopia	111.26	0.0225×111.26	2.50
Angola	104.38	0.0225×104.38	2.35
Ghana	72.35	0.0225×72.35	1.63
Gabon	20.87	0.0225×20.87	0.47
Kenya	110.35	0.0225×110.35	2.48
Mali	19.91	0.0225×19.91	0.45
Mauritius	13.74	0.0225×13.74	0.31
Mozambique	16.10	0.0225×16.10	0.36
South Africa	399.95	0.0225×399.95	9.00
Nigeria	477.39	0.0225×477.39	10.75
Morocco	142.87	0.0225×142.87	3.22
Total	—	—	33.52 bn USD

Budget Deficit Widening by Country

Country	GDP (bn USD)	Calculation ($0.01 \times \text{GDP}$)	Extra Cost (bn USD)
Ethiopia	111.26	0.01×111.26	1.11
Angola	104.38	0.01×104.38	1.04
Ghana	72.35	0.01×72.35	0.72
Gabon	20.87	0.01×20.87	0.21
Kenya	110.35	0.01×110.35	1.10
Mali	19.91	0.01×19.91	0.20
Mauritius	13.74	0.01×13.74	0.14
Mozambique	16.10	0.01×16.10	0.16
South Africa	399.95	0.01×399.95	4.00
Nigeria	477.39	0.01×477.39	4.77
Morocco	142.87	0.01×142.87	1.43
Total	—	—	14.88 bn USD

Total Economic Damage by Country (All Factors)

Country	Factor 1: Debt Servicing (bn USD)	Factor 2: Future Borrowing (bn USD)	Factor 3: Capital Outflow + Import Cost (bn USD)	Factor 4: Asset Depreciation (bn USD)	Factor 5: Insurance Premium Increase (bn USD)	Factor 6: Budget Deficit Widening (bn USD)	Total Damage (bn USD)
Ethiopia	1.50	0.33	$4.45 + 2.23 = 6.68$	16.69	2.50	1.11	28.81
Angola	2.07	0.31	$4.18 + 2.61 = 6.79$	15.66	2.35	1.04	28.22
Ghana	2.87	0.22	$2.89 + 1.45 = 4.34$	10.85	1.63	0.72	20.63
Gabon	0.68	0.06	$0.83 + 0.52 = 1.35$	3.13	0.47	0.21	5.90
Kenya	2.22	0.33	$4.41 + 2.76 = 7.17$	16.55	2.48	1.10	29.85
Mali	0.33	0.06	$0.80 + 0.40 = 1.20$	2.99	0.45	0.20	5.23
Mauritius	0.18	0.04	$0.55 + 0.41 = 0.96$	2.06	0.31	0.14	3.69
Mozambique	0.47	0.05	$0.64 + 0.32 = 0.96$	2.42	0.36	0.16	4.42
South Africa	21.00	1.20	$16.00 + 10.00 = 26.00$	60.00	9.00	4.00	121.20
Nigeria	5.30	1.43	$19.10 + 7.16 = 26.26$	71.61	10.75	4.77	120.12
Morocco	1.48	0.43	$5.71 + 2.86 = 8.57$	21.43	3.22	1.43	36.56
Total	38.1	4.46	90.28	223.39	33.52	14.88	404.63

Cost to developing countries

- 38 bn extra coupons
- 90 bn capital flight
- 223 bn asset loss
- Kenyan coffee co-ops face 19 % loans; pulper upgrades shelved
- Malawi (LDC/LLDC) lost 2.1 % of GDP — equal to primary-education budget
- Burkina Faso downgrade +190 bp spread: wipes out cold-storage funding

- Compromiso para18, 9: derisk agrifood
 - prioritise LDCs & LLDCs

Cost to Europe & OECD investors

- <0.5 % of €10tn EU pensions deployed to frontier agrifood
- Solvency II: 150 % risk weight on B- African bond vs 20 % on BBB- EU
- Missed yield: 9–12 % uncorrelated USD returns
- EU imports 60 % of protein feed; dependency to hit 70 % by 2030

Compromiso para 22 & para 56(a): review risk weights • secure supply chains

Three self-reinforcing barriers

- Narrative overweight: ratings track sentiment more than solvency
- Data opacity: few audited SMEs, limited ESG metrics
- Regulatory codification: Basel & Solvency hard-wire ratings
- Basel III: B- sovereign = 150% RW; ACT first-loss lifts to BB- → 100% RW

- Compromiso para 51(a–d) & para 55(d): model-based assessments
 - data platforms

ACT Fund bridges the divide

- USD 100 m ACT Fund
- USD 20 m first-loss tranche (CFC)
- Risk-tiered notes crowd in DFIs & pensions; senior yields $\approx 7\%$ USD
- USD 10 m Technical Assistance: soil carbon, gender payroll, digital ledgers
- 35 pre-screened agri-SMEs ready for investment

Compromiso para 18 & para 56(a): blended-finance guarantees & risk-weight relief

Turning unwanted billions into productive billions

- Farmers: single-digit local-currency loans, climate resilience
- Investors: uncorrelated yield plus first-loss cushion
- Planet: 50 000 ha regenerative ag; methane ↓, carbon ↑
- Mt Elgon Coffee: +22 % yield, biodiversity ↑35 %, default ↓

Delivers Compromiso para 22 agrifood-infrastructure & climate goals

Closing the gap

- Investors: 2 % allocation could unlock US\$ 10 bn for agrifood
 - Agri-SMEs & co-investors: join open TA & co-investment pipeline
 - Let's replace unwanted billions with productive billions—together
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- Regulators & DFIs: pilot risk-weight relief – align with para 56(a)
 - Compromiso para 55(c-d) & para 56(b-d): calls for data transparency & partnerships

Conclusion

The estimated **\$404.63 billion** in total economic damage from credit rating downgrades across the **11 selected African countries** represents a significant burden, impacting **public finances, investment flows, and overall economic stability**.

To put this into perspective:

- **\$404.63 billion** is equivalent to **approximately 15% of Africa's total GDP** and surpasses the **annual GDP of more than 20 African nations combined**.
- This amount is comparable to **Africa's total external debt service payments over multiple years**, demonstrating the **severe financial strain on public debt sustainability**.
- The estimated losses **exceed Africa's total infrastructure financing gap**, which the **African Development Bank (AfDB)** estimates at **\$130–\$170 billion per year**, underscoring the opportunity cost in terms of roads, energy access, and digital connectivity.
- These losses **far surpass the entire annual education and healthcare spending across the continent**, critical sectors for long-term human capital development.
- In a **global context**, \$404.63 billion is **twice the amount of total foreign aid flows from OECD countries to developing economies annually**, which is around **\$200 billion per year**.
- This figure **exceeds global poverty reduction funding**, which the **United Nations** estimates at **approximately \$150 billion per year**.
- The total economic impact is **comparable to the entire annual GDP of middle-income economies** and exceeds the **combined economic output of multiple developing regions outside Africa**.