

Public Debt Sustainability Analysis of the Economic Community of West African States (ECOWAS)

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Abstract : Natural disasters, economic crises, financial crises, and epidemics like COVID-19 necessitate a discussion about how different economies can manage their debt. Studies have shown high public debt and fiscal deficit in Africa and the ECOWAS region. Even in advanced countries, only a few remain safe from solvency risk. This study investigates the public debt sustainability among the Economic Community of West African States (ECOWAS). Annual panel data for the ECOWAS economies from the World Economic Outlook database from 2007 to 2023 is used for the analysis. Bohn's sustainability framework (fiscal reaction function) was employed to examine the sustainability of public debt in the ECOWAS region and verify the influence of public debt on primary balance. The IMF Debt-Sustainability-Analysis (DSA) framework is also utilised to make projections for public debt and evaluate the risks surrounding the predicted trajectories. The results show that the previous year's debt does not influence the primary balance in the region. Also, the nonlinearity of the primary balance could not be confirmed among ECOWAS economies. Hence, evidence of debt sustainability and the nonlinearity of the fiscal reaction framework could not be explained by the data from the ECOWAS region. On the other hand, real expenditure, real revenue, and inflation significantly influenced the primary balance of the region. Therefore, further studies are required to investigate debt sustainability in the region.

Keywords : debt sustainability analysis, fiscal reaction function, primary balance, public debt

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