Twenty First Sovereign Debt News Update: African Governments on an Increasing Debt Binge

By:

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Having made significant savings through the DSSI moratorium, the Kenyan government seeks to secure more suspension of its debt service in the bid to free up cash to support its economic recovery and improve its dollar reserves. With the current Debt suspension arrangement expiring in June, the Kenyan government is requesting for a suspension of debt for another year. Apart from this, the Treasury secretary also hinted that more concessional loans are expected from the World Bank Group and the International Monetary Fund, part of which is to be disbursed towards Development Policy Operations.

After months of successfully raising over $3 Billion in Eurobonds, Ghana proposes to raise another $1 Billion in the sale of sustainable bonds in the form of social and green bonds. For the continent, Ghana’s bid to raise financing through social debt would be another ground-breaking venture of the country. According to the Ghanaian Finance Minister, the proceeds of the bonds will be directed largely at refinancing domestic debts already incurred for social and environmental projects especially the free education program for senior secondary schools.

Amidst high debt stock, the President of Nigeria seeks to incur more external debts to the tune of 46.18 Billion in order to partly finance its 2021 budget. He recently presented this to the ever-supportive National Assembly for approval and this has been met with severe criticisms. Notable are remarks by the President of the Lagos Chamber of Commerce and Industry who question the sustainability of Nigeria's growing debts. So far, Nigeria's debt has grown from 63.8 Billion, 16.1% of which constitutes external debts, in 2015 to $86.3 Billion, 36.36% of which constitutes external debts, in 2020, all within the current government regime. Meanwhile, some reports show that the increasing cost of debt servicing is significantly affecting government's revenue profile, and that money that otherwise could have been utilized for capital infrastructure are being deployed to service debts.

On Thursday, May 27, some International Monetary Fund representatives completed a two weeks long Staff Level Agreement towards new arrangements for Extended Credit Facility and Extended Fund Facility to be afforded Cameroon in order to help Cameroon's 3.6% fiscal deficit and under 3% inflation. This is subsequent to two disbursements that had been issued to Cameroon in May and October, 2020 under the Rapid Credit Facility worth $382 Million, constituting 100% of Cameroon's quota with the IMF. The facilities are hinged on the prospects of Government's medium-term program for the Covid-19 recovery, macroeconomic sustainability and structural reform.

Similarly, and within the same period the IMF also reached a Staff-Level arrangement with the government of the Democratic Republic of Congo for a three-year financing worth $1.5 Billion under the Extended Credit Facility program. The goal is to afford enough liquidity for investments and socio-economic projects, as well as enhance monetary framework while improving economic governance and transparency. Like Cameroon, Congo had also obtained financing from the IMF under the Rapid Credit Facility program. It is noteworthy that the staff-level agreement is still subject to approval by the IMF Board.

The Gambia is also set to receive immediate financing from the IMF under the Extended Credit Facility program in the sum of $14.4 Million for the broad purpose of providing liquidity and facilitating post pandemic recovery. This IMF decision at the Executive Board level is a second review pursuant to its initial review in January, which itself augments an existing facility that was created in March, 2020. Needless to say that other than this, The Gambia had also previously taken part in the IMF Rapid Credit Facility program as well as the Catastrophe Containment and Relief Trust.

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