Fifth Sovereign Debt News Update: Kenya, Zimbabwe, Ghana's Debt Crisis in Context

By:

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As Kenya moves to make interest payments on its increasing commercial debts, its foreign exchange reserves have taken a fall. With many of payments being drawn from Kenya's foreign exchange reserves, the value of its current reserves equals only 4.52 months of import cover.

Fitch Ratings' report on Ghana's debt risk profile is instructive is now a stable "B" following its economic recovery since October 2020. Ghana is projected to have a high risk debt profile as a result of pandemic-related spending and increases in energy sector liabilities.

Despite being in arrears of its payments to the World Bank and the African Development Bank, among others, and having being locked out of access to funds on a multilateral scale, Zimbabwe has been allowed by the African Export-Import Bank to reorganize its $1.4 Billion debt owed to the latter. The

Bank has agreed to identify and approach financial institutions that may be willing to provide financing to the Reserve Bank of Zimbabwe. The move is probably inspired by some improvements noticed in the nation’s agricultural commodity market. This is despite its chronic foreign-exchange shortage and estimated total debt of $8 Billion.

With most countries turning to the International Monetary Fund for some form of relief in the time of global pandemic, Tunisia’s reception at the IMF has come with stringent conditions. The IMF insists that the country must be more transparent to its citizens about the fragile nature of its economy, especially as it relates to the management of the country’s State-owned-entities-dues which have accrued an overwhelming debt value amounting to roughly 40% of the country’s total gross domestic products.

While on its way towards establishing a strong track record of policy and reform implementation and obtaining subsequent debt relief, Sudan had the first review of its Staff-Monitored Program (SMP) approved by the Managing Director of the International Monetary Fund. The program aims at supporting endogenous programs and reforms that are targeted at stabilizing the economy, strengthening social protection and governance, as well as improving private sector.

Meanwhile in Nigeria, the Debt Management Office, (DMO), has found itself having to make clarifications on the appropriation of the country’s N 2.2 Triliion earmarked in its 2018 Appropriation Act for servicing of debt. The DMO reiterating its statement to the Public Accounts Committee in February noted that N2.1 was indeed allocated for servicing debt, both external and internal, while N721,251,798.00 was DMO’s appropriation for its running expenses. The DMO further noted that the funds for debt service are not available to the DMO but are rather domiciled with the Office of the Accountant-General of the Federation who disburses those funds.

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